Crown Investments Corporation of S

1999 Annual Report

Letter of Transmittal

Regina, Saskatchewan
March 31, 2000

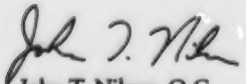
To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the twenty-second Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 1999 in accordance with **The Crown Corporations Act, 1993**. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Madam,

Your obedient servant,



John T. Nilson, Q.C.
Minister of Crown Investments Corporation

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Chair's Message

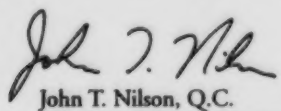
The 20th century ended on a very positive note for Saskatchewan's Crown sector, with the focus solidly on debt reduction, sound financial management, and improved and expanded services for the people of Saskatchewan.

A commitment to debt reduction and sound financial management is allowing the commercial Crown corporations to concentrate on providing superior services at affordable rates. Saskatchewan's Crowns charge among the lowest rates in Canada for auto insurance, residential natural gas, electricity, and local telephone service. At the same time, the commercial Crowns are continuing to thrive in the competitive marketplace or are preparing to enter that marketplace.

Debt reduction has significantly improved the overall financial position of CIC and its subsidiary Crowns. As a result, CIC has been able to increase its dividend to the General Revenue Fund. This dividend goes toward such things as health care, education, and other programs and services that benefit all Saskatchewan people.

During 1999, CIC continued to implement measures designed to provide greater accountability, and to improve governance within the Crown sector. To enhance long term direction to the Crown sector, CIC completed and began to implement a Crown Sector Strategic Plan in 1999. In addition, the Balanced Scorecard performance management system continued to evolve. For 2000, the Balanced Scorecards for CIC and each of its subsidiary Crowns will be aligned with the Crown Sector Strategic Plan.

As we enter a new century and a new millennium, we remain confident that Saskatchewan's Crown sector will continue to play a key role in our economy and in the lives of Saskatchewan people. With responsible management and a commitment to provide quality services at affordable rates, the people of this province can be assured that their Crown sector will continue to serve them well.



John T. Nilson, Q.C.
Minister of Crown Investments Corporation
Chair of the Board of Directors

President's Message

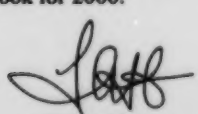
Saskatchewan's Crown sector again posted a strong financial performance in 1999, largely due to a continued commitment to debt reduction and sound financial management within CIC and its commercial Crown corporations.

There was a dramatic decline of almost $289 million in the consolidated debt during the year. That compares with debt reduction of $187 million during 1998. The holding company, CIC, lowered its debt by $157 million to a self-supporting level of $61 million, while SaskPower lowered its debt by $94 million, and NewGrade Energy Inc. saw debt decline by $42 million. The result of these and other debt reduction efforts within the Crown sector resulted in consolidated debt of $3,101 million at the end of 1999, compared with $3,389 million at the end of 1998.

Due to lower debt, CIC's associated interest expense fell by $34 million during 1999. CIC was able to declare a regular dividend of $125 million to the province's General Revenue Fund for 1999. That was up $25 million over CIC's regular dividend declared on 1998 earnings. The target for 2000 is to declare a regular dividend of $150 million to the General Revenue Fund.

Consolidated earnings for 1999 were $216 million on revenues of $2,804 million. That compares with 1998 earnings of $344 million on revenues of $2,684 million. Earnings for 1999 included $152 million from ongoing operations and $64 million from non-recurring items. Those items included gains of $30 million on the sale of Saskfor MacMillan Limited Partnership and $39 million on Saturn Communications Limited, partly offset by losses of $5 million as a result of the bankruptcy of the Lake Diefenbaker Potato Corporation.

This solid performance in 1999 has again set the stage for another promising year for Saskatchewan's Crown sector. I am pleased to present this report which provides details for 1999 as well as an outlook for 2000.



Frank Hart
President and CEO

Vision

CIC provides a strategic focus to the Crown corporation sector and is a centre of excellence for public investment. CIC is financially self-sufficient and is a leader in facilitating economic growth through commercially viable investments.

Mission

We are the Province of Saskatchewan's holding company that:

- establishes the strategic direction for subsidiary Crown corporations through effective governance and performance management;
- manages prudently a diversified portfolio of commercially viable investments; and,
- enhances Saskatchewan's long term economic growth and diversification through investments and Crown corporations.

Values

CIC is committed to:

- using honesty, integrity and professionalism in dealing with all stakeholders;
- demonstrating leadership and innovation;
- communicating openly and effectively;
- taking full responsibility for our actions;
- creating a work environment that is attractive to highly skilled and knowledgeable people who work effectively together; and,
- being a model employer by developing our employees' knowledge and skills.

1999 Objectives and Accomplishments

CIC sets business objectives each year. These objectives are based on its vision, mission and values.

CIC carried out the following activities to meet its objectives related to its mission to establish strategic direction for subsidiary Crown corporations through effective governance and performance management:

Provide strategic direction to Crown corporations.

- Developed a Crown Sector Strategic Plan to be integrated with CIC and subsidiary Crowns' 2000 Balanced Scorecards.
- Monitored the progress of subsidiary Crown corporations and major investments in attaining Year 2000 readiness.
- Provided training for Crown board members to enhance skills and knowledge.

Provide direction to Crown corporations on the Government's public policy expectations.

- Continued development and implementation of the Balanced Scorecard.
- Monitored Crown corporation governance and Crown board performance management structures and processes.
- Developed and integrated workforce diversity as an objective in CIC and subsidiary Crowns' Balanced Scorecards, consistent with the Crown Sector Strategic Plan.

CIC carried out the following activities to meet its objectives related to its mission to manage prudently a diversified portfolio of commercially viable investments:

Optimize the return from CIC's portfolio and protect CIC's financial self-sufficiency while supporting the Government's fiscal objectives.

- Sold CIC Industrial Interests Inc.'s interest in Saskfor MacMillan Limited Partnership (SMLP) for a gain of $30.2 million.
- Negotiated an extension of Meadow Lake Pulp Limited Partnership's (MLPLP) banking arrangements.
- Declared a regular dividend of $125.0 million to the General Revenue Fund.
- Reduced CIC's debt to a self-supporting level of $61.2 million at December 31, 1999.

CIC carried out the following activities to meet its objectives related to its mission to enhance Saskatchewan's long term economic growth and diversification through investments and Crown corporations:

Foster economic growth throughout Saskatchewan through Crown corporations and new investment opportunities.

- Continued implementation of CIC's investment strategy.
- Secured the development of an oriented strand board plant in Hudson Bay in conjunction with the sale of CIC Industrial Interest Inc.'s interest in SMLP.

In addition, CIC's values were supported by the following objectives and associated activities:

Develop and support the people who work at CIC.

- Supported staff in various skills training and professional development programs to enhance skills and performance and obtained feedback on employee satisfaction.
- Continued development of new job evaluation plan, salary administration structure, and performance management program. Completion and implementation was deferred to 2000 due to corporate reorganization.

Communicate effectively with stakeholders.

- Released Annual Report and Semi-Annual Financial Report.
- Coordinated seven public meetings for the Minister of CIC.
- Continued development of CIC's corporate web site.

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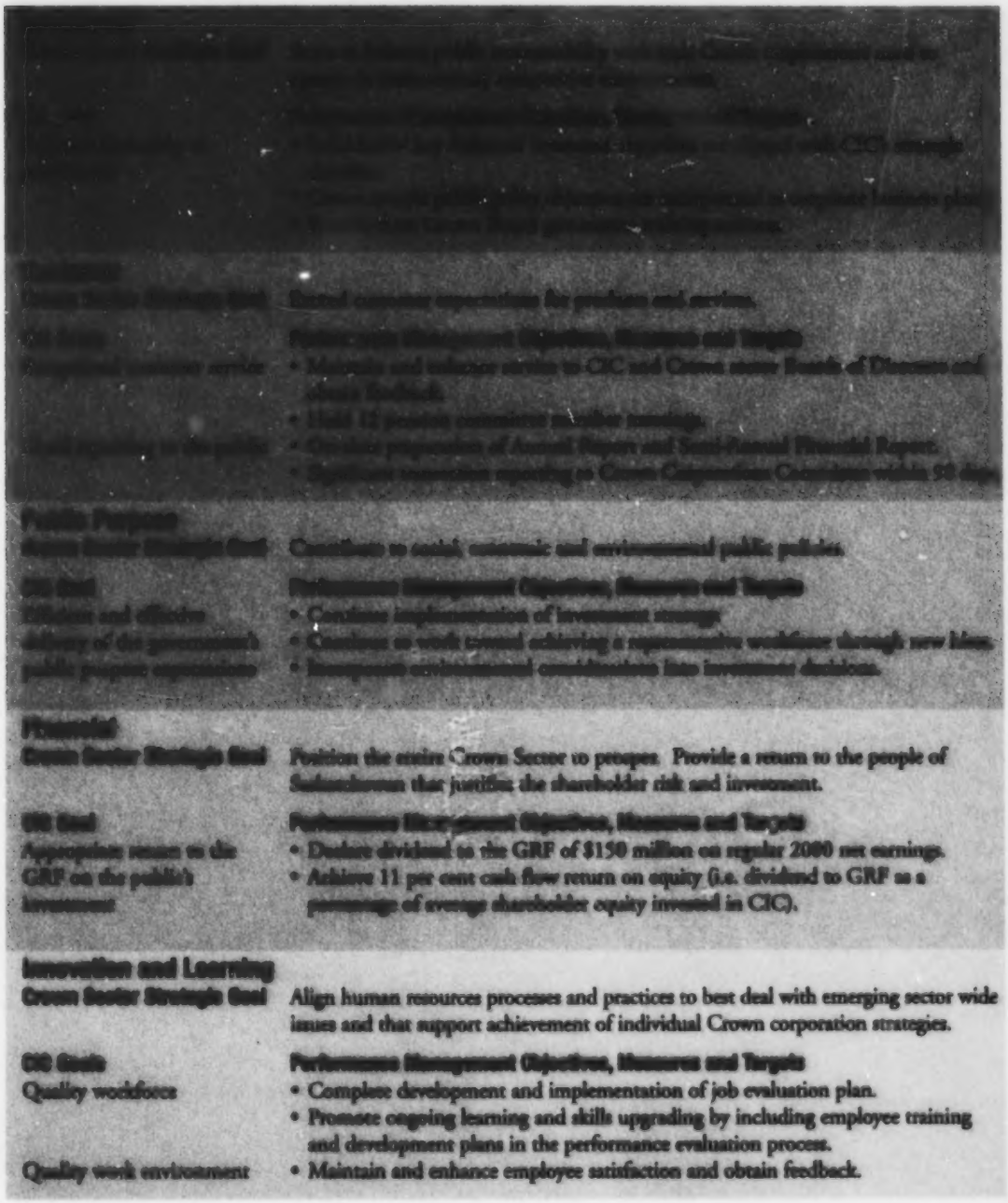
2000 Performance Management Objectives, Measures and Targets

CIC's 2000 Business Plan and the associated corporate objectives, measures and targets are aligned with the shareholder's expectations as set out in CIC's 2000 Balanced Scorecard. These expectations are organized from the perspectives of leadership, customer satisfaction, public purpose, financial performance, and innovation and learning. In turn, CIC's Balanced Scorecard is aligned with the Crown Sector Strategic Plan. For a more detailed discussion of the Crown Sector Strategic Plan, linkages with the Balanced Scorecard performance management process, and the development of business plans, please see page 32.

The chart below details key elements of CIC's 2000 performance management objectives, measures and targets in its Balanced Scorecard and their alignment with strategic goals in the Crown Sector Strategic Plan.



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Leadership

Crown Sector Strategic Goal

Strive to balance public accountability with each Crown corporation's need to operate in commercially competitive environments.

CIC Goal	Performance Management Objectives, Measures and Targets
Effective leadership to subsidiaries	• Subsidiaries' key Balanced Scorecard objectives are aligned with CIC's strategic direction. • Crown specific public policy objectives are incorporated in corporate business plans. • Provide three Crown Board governance training sessions.

Customer

Crown Sector Strategic Goal

Exceed customer expectations for products and services.

CIC Goals	Performance Management Objectives, Measures and Targets
Exceptional customer service	• Maintain and enhance service to CIC and Crown sector Boards of Directors and obtain feedback. • Hold 12 pension committee member meetings.
Good reporting to the public	• On-time preparation of Annual Report and Semi-Annual Financial Report. • Significant transaction reporting to Crown Corporations Committee within 90 days.

Public Purpose

Crown Sector Strategic Goal

Contribute to social, economic and environmental public policies.

CIC Goal	Performance Management Objectives, Measures and Targets
Efficient and effective delivery of the government's public purpose expectations	• Continue implementation of investment strategy. • Continue to work toward achieving a representative workforce through new hires. • Incorporate environmental considerations into investment decisions.

Financial

Crown Sector Strategic Goal

Position the entire Crown Sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

CIC Goal	Performance Management Objectives, Measures and Targets
Appropriate return to the GRF on the public's investment	• Declare dividend to the GRF of $150 million on regular 2000 net earnings. • Achieve 11 per cent cash flow return on equity (i.e. dividend to GRF as a percentage of average shareholder equity invested in CIC).

Innovation and Learning

Crown Sector Strategic Goal

Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

CIC Goals	Performance Management Objectives, Measures and Targets
Quality workforce	• Complete development and implementation of job evaluation plan. • Promote ongoing learning and skills upgrading by including employee training and development plans in the performance evaluation process.
Quality work environment	• Maintain and enhance employee satisfaction and obtain feedback.

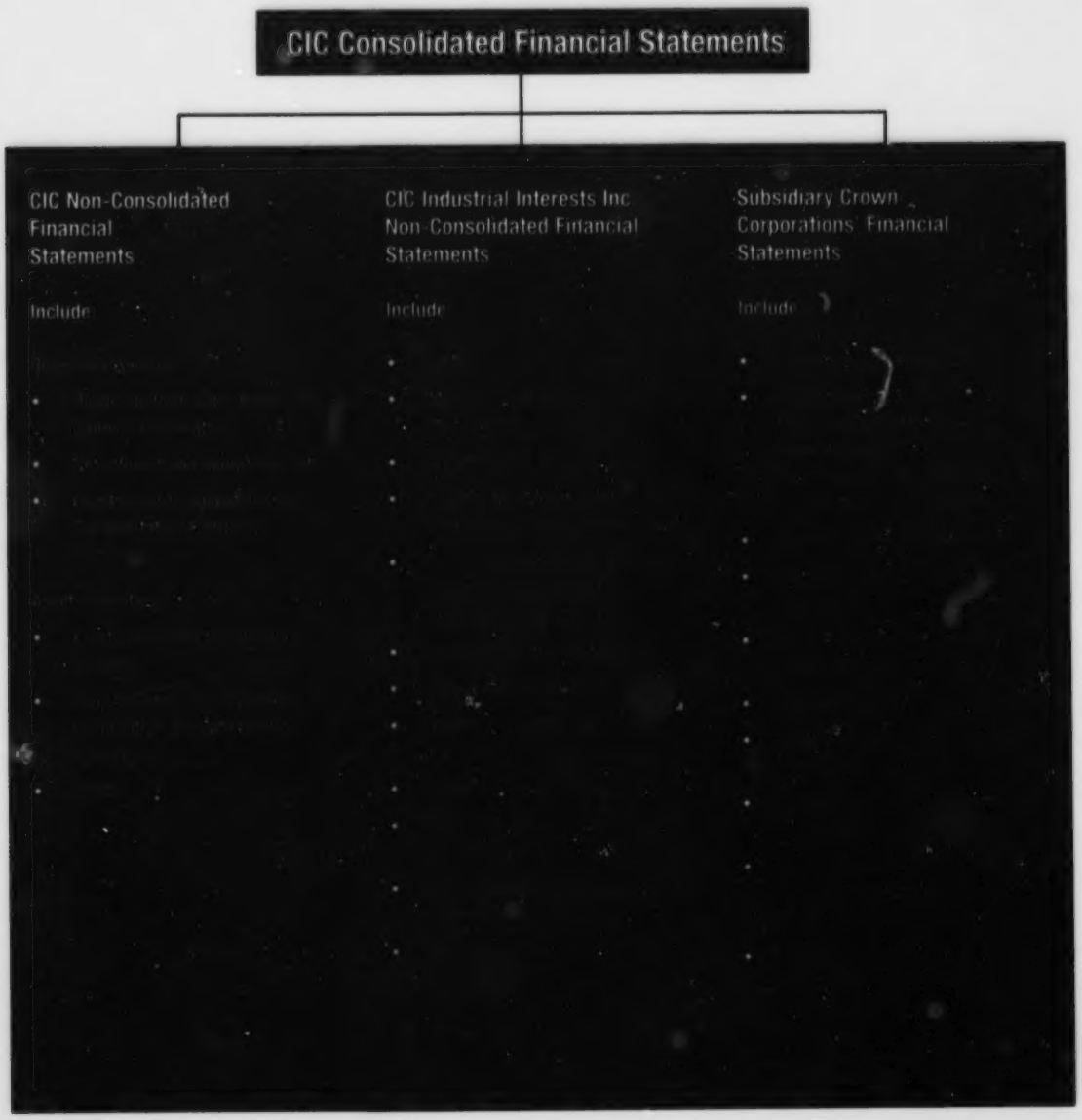
Financial Statement Reporting Structure

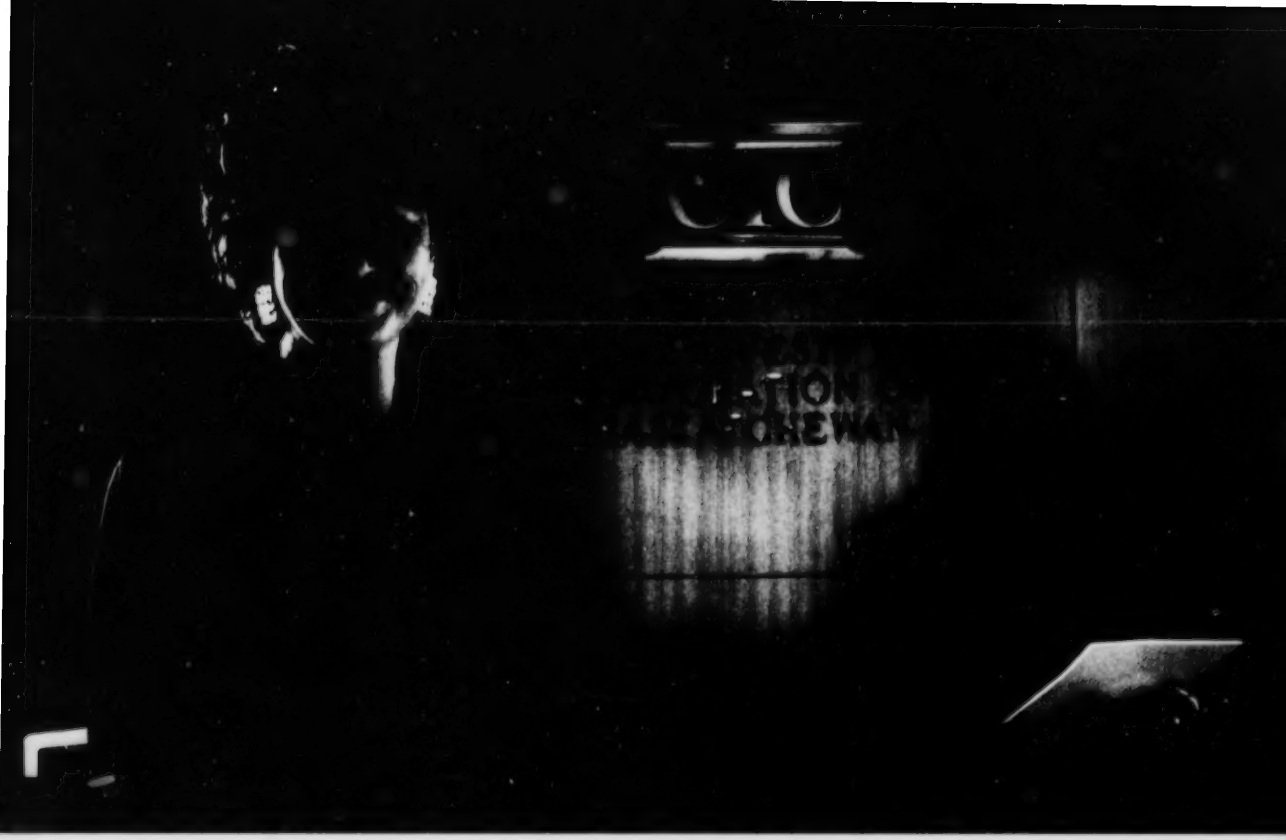
CIC's 1999 Annual Report contains three sets of financial statements.

- **CIC Consolidated financial statements**
  These show CIC's results consolidated with those of its subsidiaries.

- **CIC Non-Consolidated financial statements**
  These show the results of activities of CIC as the holding company.

- **CIC Industrial Interests Inc. (CIC III) Non-Consolidated financial statements**
  These show the results of activities that CIC manages through its subsidiary, CIC III.





CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures, partnerships and loans, held either directly by CIC or through its wholly-owned subsidiaries.

Management's Discussion and Analysis (MD&A) of CIC's consolidated 1999 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release.

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

CIC has the following lines of business:

Utilities: Electricity	Saskatchewan Power Corporation (SaskPower)	wholly-owned subsidiary
Natural Gas	SaskEnergy Incorporated (SaskEnergy)	wholly-owned subsidiary
Insurance: Property and Casualty	Saskatchewan Government Insurance (SGI)	wholly-owned subsidiary
Commodity-Based Investments: Heavy Oil	NewGrade Energy Inc. (NewGrade)	50 per cent equity interest and loans
Fertilizer	Saskferco Products Inc. (Saskferco)	49 per cent equity interest
Beef Slaughter and Food Processing	Western Canadian Beef Packers Inc. (WCBP)	wholly-owned subsidiary
Immigrant Investor Program	Saskatchewan Government Growth Fund Management Corporation (SGGF)	wholly-owned subsidiary

[1] In January 1999, HARO repaid its $149.5 million convertible debenture to CIC III subsequent to the sale of substantially all of Crown Life's insurance business to The Canada Life Assurance Company.

[2] In May 1999, CIC sold its 50.0 per cent partnership interest in SMLP.

Profiles of each subsidiary Crown corporation and major investment are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

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CIC has the following lines of business:

Utilities:		
Electricity	Saskatchewan Power Corporation (SaskPower)	wholly-owned subsidiary
Telecommunications	**Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)**	**wholly-owned subsidiary**
Natural Gas	SaskEnergy Incorporated (SaskEnergy)	wholly-owned subsidiary
Water Management	**Saskatchewan Water Corporation (Sask Water)**	**wholly-owned subsidiary**
Insurance:		
Property and Casualty	Saskatchewan Government Insurance (SGI)	wholly-owned subsidiary
Life	**HARO Financial Corporation (HARO) via its subsidiary, Crown Life Insurance Company (Crown Life)[1]**	**non-voting equity interest and loans**
Commodity-Based Investments:		
Heavy Oil	NewGrade Energy Inc. (NewGrade)	50 per cent equity interest and loans
Forestry	**Meadow Lake Pulp Limited Partnership (MLPLP)**	**50 per cent partnership interest and loans**
	Saskfor MacMillan Limited Partnership (SMLP)[2]	-
Fertilizer	Saskferco Products Inc. (Saskferco)	49 per cent equity interest
Mining	**Cameco Corporation (Cameco)**	**9.5 per cent equity interest**
Beef Slaughter and Food Processing	Western Canadian Beef Packers Inc. (WCBP)	wholly-owned subsidiary
Economic Growth:		
Infrastructure and Small Business Investment	**Saskatchewan Opportunities Corporation (SOCO)**	**wholly-owned subsidiary**
Immigrant Investor Program	Saskatchewan Government Growth Fund Management Corporation (SGGF)	wholly-owned subsidiary
Transportation:		
Passenger and Freight Transportation	**Saskatchewan Transportation Company (STC)**	**wholly-owned subsidiary**

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[2] In May 1999, CIC sold its 50.0 per cent partnership interest in SMLP.

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Results of Operations

Earnings for the year were $215.8 million (1998 - $344.5 million). Excluding non-recurring items of $63.9 million (1998 - $107.4 million), earnings from ongoing operations were $151.9 million (1998 - $237.0 million). Non-recurring items in 1999 consisted of gains on the sale of SMLP ($30.2 million) and Saturn Communications Limited ($39.0 million), partly offset by $5.2 million in losses as a result of the bankruptcy of the Lake Diefenbaker Potato Corporation (LDPC). In 1998, CIC's non-recurring items consisted of gains on the sale of Bi-Provincial ($94.3 million), Alouette Telecommunications Inc. ($7.6 million) and NorSask Forest Products Inc. ($5.6 million).

Revenues were $2,803.8 million (1998 - $2,684.4 million), an increase of $119.4 million. The increase was due to a $172.6 million increase in operating revenues partly offset by a $49.9 million decrease in investment earnings.

Operating revenues were $2,719.6 million (1998 - $2,547.0 million). The $172.6 million increase was mainly due to higher sales by commodity-based investments and higher utility sales. Sales by commodity-based investments were $476.9 million (1998 - $355.0 million), an increase of $121.9 million. During 1999, WCBP contributed $171.6 million in revenues compared to $28.5 million in 1998 for the two month period that WCBP results were consolidated with those of CIC. This increase was partly offset by a $49.2 million decrease in revenue due to the sale of SMLP. Utility sales were $2,115.8 million (1998 - $2,065.4 million). The $50.4 million increase was primarily due to higher sales by SaskPower and SaskEnergy.

Investment earnings were $49.8 million (1998 - $99.7 million). The $49.9 million decrease mainly reflects residual profits in 1998 in one of SGGF's five fund companies, SGGF Ltd., together with a decrease in earnings from Saskferco and a decline in earnings from SGI's investment portfolio.

Expenses were $2,651.9 million (1998 - $2,447.3 million), an increase of $204.6 million. Operating costs increased by $254.0 million. The primary factor was the effect of consolidating a full year of WCBP results ($146.7 million). Other factors included increased costs at SaskTel, primarily for an early retirement program, and higher fuel costs at SaskPower and SaskEnergy. Interest costs were $317.4 million (1998 - $367.1 million). The $49.7 million decrease was due to lower debt. Amortization increased by $8.8 million.

CIC spent $753.9 million on new investment and capital acquisitions in 1999 (1998 - $680.1 million). The $73.8 million increase reflects a $27.3 million increase in capital spending and a $46.5 million increase in investment activity.

Debt at year end was $3,100.6 million (1998 - $3,389.3 million), a decline of $288.7 million. Debt reduction was largely attributable to declines in CIC's non-consolidated debt (i.e., debt held by the holding company) of $156.5 million, SaskPower ($93.9 million) and NewGrade ($42.3 million), partially offset by higher debt for SOCO ($17.7 million).

Liquidity and Capital Resources

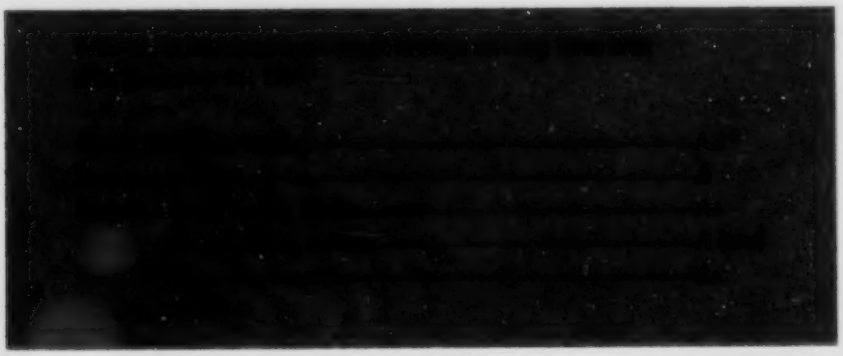
Cash Flow Highlights

(millions of dollars)

	1998
Cash from Operations	$ 578.1
Net Proceeds from Investments	(215.9)
Dividends Paid	(100.0)
Debt Proceeds Received	207.8
Debt Repaid	(445.8)
Equity Advances Repaid	(42.5)
Other Financing Activities	12.9
Decrease in Cash	$ (5.4)

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has ample access to capital markets for anticipated borrowing requirements.



* with positive outlook

Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	1999	1998
Cash from Operations	$ 560.4	$ 578.1
Net Proceeds from Investments	(254.3)	(215.9)
Dividends Paid	(150.0)	(100.0)
Debt Proceeds Received	184.2	207.8
Debt Repaid	(367.7)	(445.8)
Equity Advances Repaid	(42.5)	(42.5)
Other Financing Activities	21.3	12.9
Decrease in Cash	$ (48.6)	$ (5.4)

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has ample access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long Term Debt
as at December 31, 1999

Moody's Investor Service	A2 *
Standard & Poor's	A
Canadian Bond Rating Service	A+
Dominion Bond Rating Service	A (low)
Fitch IBCA	A+

* with positive outlook

Operating, Investing and Financing Activities

Cash from operations was $560.4 million (1998 - $578.1 million). The $17.7 million decrease was primarily due to lower earnings from ongoing operations.

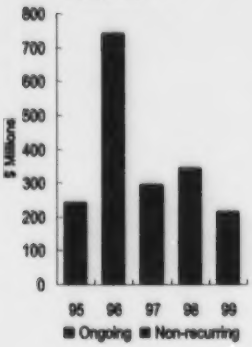
Cash used in investing activities was $254.3 million (1998 - $215.9 million). The $38.4 million increase was primarily due to an increase in the purchase of capital assets and a decrease in the sale of capital assets. Capital asset sales in 1998 included the sale of Bi-Provincial assets to Husky Oil Operations Ltd.

Cash used in financing activities was $354.7 million (1998 - $367.5 million). The $12.8 million decrease mainly reflects lower debt repayments of $78.1 million, partly offset by a $50.0 million increase in the regular dividend to the GRF.

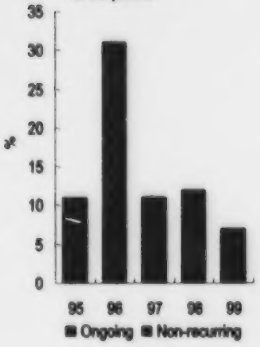
Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances.

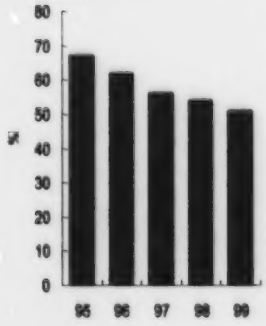
Consolidated Earnings
for the period



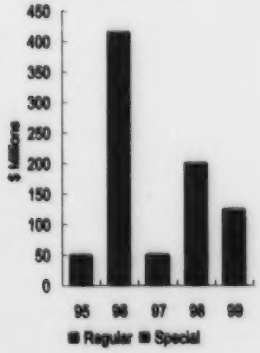
Consolidated
Return on Equity
for the period



Consolidated Debt Ratio
at year end



Dividends to the GRF
declared at year end



Consolidated Financial Summary

- Over the past five years, CIC has realized significant gains from the sale of major investments such as Bi-Provincial Upgrader (1998), Wascana Energy Inc. (1997), Cameco (1996), LCL Cable Communications Ltd. (1995) and ISM Information Systems Management Corporation (1995).
- In 1999, non-recurring items included gains on the sale of Saturn Communications Limited ($39.0 million) and SMLP ($30.2 million), partly offset by a $5.2 million loss in Sask Water as a result of the LDPC bankruptcy.

- Return on equity is the ratio of earnings to the average amount of shareholder's equity invested.
- The return on equity declined from 12 per cent in 1998 to seven per cent in 1999, primarily due to lower gains on the sale of investments, lower earnings from the major subsidiary Crowns, and lower overall earnings from commodity-based investments.

- The debt ratio is the ratio of consolidated debt to debt plus equity.
- Debt reduction of $1,494.6 million since 1995 has strengthened CIC's consolidated financial position.
- The debt ratio has declined from 67 per cent in 1995 to 51 per cent in 1999.

- 1999 is the fifth consecutive year that CIC has declared a dividend to the GRF.
- In 1998 proceeds received from the Bi-Provincial sale enabled CIC to declare a special dividend of $100.0 million to the GRF, and the repayment of $85.0 million in equity advances from the GRF. The last special dividend was $365.7 million declared in 1996 in relation to the sale of 10.1 million Cameco shares.
- Debt reduction has significantly improved the overall financial position of CIC and its subsidiary Crowns. As a result, CIC declared a dividend of $125.0 million on its 1999 earnings, an increase of $25.0 million from 1998 dividend of $100.0 million.
- Since 1995, including special dividends and equity repayments, CIC has provided an aggregate return of $925.7 million to the GRF to support the Government's fiscal objectives.

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Segmented Information

(millions of dollars)

	Utilities		Commodity Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Income Statement for the year ended December 31														
Sales and other revenue	2,108		370		199		13		33		(39)		2,684	
Operating expenses & other	1,561		340		159		16		12		(8)		2,080	
Debt costs	286		44		0		0		4		33		367	
Earnings before the following	261		(14)		40		(3)		17		(64)		237	
Non-recurring items	8		6		0		2		0		91		107	
Net earnings	269		(8)		40		(1)		17		27		344	
Balance Sheet as at December 31														
Current assets	488		116		105		3		13		197		922	
Investments & other	397		240		649		0		32		201		1,519	
Capital assets	4,825		210		20		13		86		(94)		5,060	
	5,710		566		774		16		131		304		7,501	
Current liabilities	682		126		540		2		47		(328)		1,069	
Long-term debt	2,587		416		0		0		61		7		3,071	
Other	357		0		113		0		0		0		470	
	3,626		542		653		2		108		(321)		4,610	
Province's equity	2,084		24		121		14		23		625		2,891	
	5,710		566		774		16		131		304		7,501	
Statement of Cash Flows for the year ended December 31														
Operating activities	563		23		32		0		4		(44)		578	
Investing activities														
Capital asset purchases	(382)		(2)		0		0		(15)		9		(390)	
Other	26		7		26		0		(1)		116		174	
	(356)		5		26		0		(16)		125		(216)	
Financing Activities														
Debt proceeds	8		26		0		0		40		42		116	
Debt repayments	(123)		(28)		0		0		0		(294)		(445)	
Dividend paid to CIC	(246)		0		(47)		0		0		293		0	
Dividend paid to GRF	0		0		0		0		0		(100)		(100)	
Other	58		(1)		0		0		(25)		30		62	
	(303)		(3)		(47)		0		15		(29)		(367)	
Change in Cash	(96)		25		11		0		3		52		(5)	

Segmented Information

(millions of dollars)

	Utilities		Commodity Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Income Statement for the year ended December 31														
Sales and other revenue	2,151	2,108	478	370	184	199	13	13	21	33	(43)	(39)	2,804	2,684
Operating expenses & other	1,708	1,561	465	340	174	159	16	16	17	12	(46)	(8)	2,334	2,080
Debt costs	269	286	44	44	0	0	0	0	5	4	0	33	318	367
Earnings before the following	174	261	(31)	(14)	10	40	(3)	(3)	(1)	17	3	(64)	152	237
Non-recurring items	34	8	0	6	0	0	2	2	0	0	28	91	64	107
Net earnings	208	269	(31)	(8)	10	40	(1)	(1)	(1)	17	31	27	216	344
Balance Sheet as at December 31														
Current assets	484	488	110	116	106	105	4	3	9	13	202	197	915	922
Investments & other	361	397	215	240	503	649	0	0	33	32	227	201	1,339	1,519
Capital assets	4,866	4,825	169	210	17	20	13	13	106	86	(99)	(94)	5,072	5,060
	5,711	5,710	494	566	626	774	17	16	148	131	330	304	7,326	7,501
Current liabilities	581	682	197	126	391	540	2	2	41	47	(235)	(328)	977	1,069
Long-term debt	2,601	2,587	381	416	0	0	0	0	85	61	(160)	7	2,907	3,071
Other	380	357	0	0	122	113	2	0	0	0	0	0	504	470
	3,562	3,626	578	542	513	653	4	2	126	108	(395)	(321)	4,388	4,610
Province's equity	2,149	2,084	(84)	24	113	121	13	14	22	23	725	625	2,938	2,891
	5,711	5,710	494	566	626	774	17	16	148	131	330	304	7,326	7,501
Statement of Cash Flows for the year ended December 31														
Operating activities	525	563	(5)	23	18	32	1	0	8	4	13	(44)	560	578
Investing activities														
Capital asset purchases	(401)	(382)	(2)	(2)	0	0	(2)	0	(23)	(15)	11	9	(417)	(390)
Other	4	26	(2)	7	(8)	26	0	0	(4)	(1)	173	116	163	174
	(397)	(356)	(4)	5	(8)	26	(2)	0	(27)	(16)	184	125	(254)	(216)
Financing Activities														
Debt proceeds	110	8	3	26	0	0	0	0	17	40	54	42	184	116
Debt repayments	(52)	(123)	(33)	(28)	0	0	0	0	0	0	(209)	(294)	(294)	(445)
Dividend paid to CIC	(138)	(246)	0	0	(12)	(47)	0	0	0	0	150	293	0	0
Dividend paid to GRF	0	0	0	0	0	0	0	0	0	0	(150)	(100)	(150)	(100)
Other	(41)	58	(1)	(1)	0	0	2	0	(1)	(25)	(54)	30	(95)	62
	(121)	(303)	(31)	(3)	(12)	(47)	2	0	16	15	(209)	(29)	(355)	(367)
Change in Cash	7	(96)	(40)	25	(2)	11	1	0	(3)	3	(12)	52	(49)	(5)

Five-Year Operational Review

At corporate fiscal year end

	1999	1998	1997	1996	1995
SaskPower					
Number of permanent full time employees	2,120	2,030	1,994	1,986	2,175
Total customers	428,027	426,676	423,678	420,147	417,923
Avg. annual usage/residential customer (kilowatt hours)	7,793	7,662	8,520	8,802	8,447
Power lines (kilometres of poles)	150,656	150,001	149,421	148,590	148,056
SaskTel					
Number of permanent full time employees	4,254	4,227	3,972	3,792	3,766
Operating revenue ($thousands)	737,724	752,636	728,037	696,897	646,871
Originated minutes (thousands)	1,273,545	932,745	969,533	1,008,200	906,200
Access services (wireline/wireless)	831,724	801,957	762,547	712,086	671,326
Cumulative percentage SaskTel has lowered average per minute long distance charges since 1990	-72%	-59%	-53%	-50%	-47%
SaskEnergy					
Number of permanent full time employees	809	816	806	803	805
Total customers	317,219	313,425	309,171	304,575	301,020
Residential annual average usage (cubic metres)	3,316	3,255	3,504	4,328	3,804
Distribution pipelines (km)	64,169	63,043	61,831	60,746	60,046
TransGas pipelines (km)	13,733	13,635	13,692	13,641	13,600
Compressor horsepower (hp)	104,375	104,375	104,375	104,375	104,375
Peak day gas flows (billion cubic feet)	1.23	1.32	1.36	1.46	1.37
SGI					
Number of full time employees	1,402	1,393	1,372	1,337	1,290
Premiums written ($thousands)	164,183	165,086	156,545	148,318	140,277
Number of policies in force	426,964	425,081	414,045	408,864	403,051
Number of claims	67,720	61,492	65,140	67,590	71,917
NewGrade					
Number of permanent employees	181	177	175	178	175
Average plantgate differentials ($Cdn/barrel)	5.07	6.87	7.46	5.19	3.50
Crude oil processed (barrels per day)	51,300	55,500	50,100	54,200	48,300
Outstanding third party debt ($millions)	204	252	292	340	372
WCBP					
Number of employees	264	305	268	170	135
Number of cattle purchased (approx. 80% from Saskatchewan)	171,105	169,780	161,856	160,356	104,097
Value of cattle purchased ($millions)	151	131	124	112	47
Value of exports ($millions)	61	60	31	41	5
Value of domestic sales ($millions)	111	99	123	96	48
MLPLP					
Number of employees	195	196	201	203	201
Safety (lost time accidents)	3	1	0	2	1
Value of exports ($millions)	146	98	100	95	184
Volume of trees delivered (cubic metres)	986,147	688,677	770,499	545,182	795,752
Saskferco					
Number of employees	133	138	136	131	130
Safety (lost time accidents)	0	0	1	2	0
Natural gas consumption (millions of gigajoules)	24	22	21	20	21

SaskPower

SaskPower is the principal supplier of electricity in Saskatchewan. Through its province-wide system, SaskPower generates, purchases, transmits, distributes and sells electricity and related products and services. SaskPower has more than 2,100 employees, serving over 428,000 customers in an area covering more than a half-million square kilometres. This area is serviced through a network of over 150,000 kilometres of transmission and distribution lines. SaskPower also operates three coal generation plants with a capacity of 1,658 Megawatts (MW), seven hydro plants with capacity of 853 MW and four gas plants with a capacity of 378 MW.

SaskPower's two wholly-owned subsidiaries are SaskPower International and Shand Greenhouse. SaskPower International markets SaskPower's management expertise in Canada and around the world. SaskPower International is also currently exploring cogeneration opportunities within Saskatchewan. Shand Greenhouse grows tree and shrub seedlings that are distributed around the province.

- Earnings were $114.0 million (1998 - $140.3 million).
- Revenues of $977.0 million (1998 - $958.4 million) increased largely due to higher export sales.
- Operating expenses (e.g. fuel and purchased power, and staffing costs) of $708.0 million (1998 - $649.3 million) increased primarily due to rising fuel costs, one-time or non-recurring items and higher wage expenses.
- Debt fell by $93.9 million to $1.5 billion (1998 - $1.6 billion). Finance charges declined to $155.0 million (1998 - $168.8 million).
- Capital spending of $184.7 million (1998 - $136.7 million) was for customer connections and transmission and distribution improvements, power plant improvements, information systems hardware and software applications.
- The new enterprise-wide software application Systems, Applications and Processes (SAP) was successfully installed in 1999.
- The Meridian Cogeneration Project with Husky Oil Operations Ltd. and TransAlta Energy Corporation began producing power on December 20, 1999. SaskPower has entered into a 25 year agreement to purchase power from the 210 MW cogeneration plant.

SaskTel

SaskTel is Saskatchewan's leading full service communications company, providing voice, data, Internet, wireless, text and messaging services over a fully digital network. SaskTel has 4,254 permanent full time employees across Saskatchewan. SaskTel's major operating subsidiary is Saskatchewan Telecommunications.

Furthermore, SaskTel also maintains investments in companies providing growth through diversification. Through Saskatchewan Telecommunications International Inc., a wholly-owned subsidiary, international project management, design, and consulting services are provided. DirectWest Publishing Partnership is the leading provider of directory advertising in Saskatchewan and offers a variety of related multimedia products.

Through interconnection agreements with other Canadian telecommunications companies, SaskTel is part of the national and global communications network.

- Earnings were $67.5 million (1998 - $93.2 million).
- Revenues of $737.7 million (1998 - $752.6 million) were down two per cent mainly due to declining long distance revenues as a result of competitive pressures, and decreases in interprovincial settled revenues.
- SaskTel retained about 93 per cent of the Saskatchewan long distance market.
- Operating expenses, excluding restructuring and other charges, were $637.8 million (1998 - $625.6 million), up by two per cent. Restructuring and other charges resulted in a non-cash charge of $34.2 million and related to an early retirement program announced in 1999, as well as a write-down of assets and non-recoverable local competition start-up costs.
- Debt was $409.0 million as at December 31, 1999 (1998 - $414.2 million). The change in debt resulted in a marginal decrease in interest charges.
- Interest expense was $36.0 million (1998 - $36.5 million).
- On July 27, 1999, SaskTel divested its 35 per cent interest in Saturn Communications Limited and recorded a non-cash gain of $39.0 million. As consideration, SaskTel received 13.7 million common shares of Austar United Communications Limited (Austar), a leading broadband communications provider in Australia and New Zealand.
- Capital spending was $155.3 million (1998 - $170.2 million). Rationalization saw the reduction of capital resources for the purpose of sustaining and maintaining the network while capital resources for growth initiatives increased.

- Earnings are expected to be higher than in 1999 due to increased sales revenue and the completion of major information technology projects such as the Year 2000 and Delta projects. The Delta project was a corporate-wide initiative to redesign and improve business processes.
- To improve its efficiencies and to prepare for a changing environment, SaskPower has restructured the business into investment centres, has introduced transfer pricing, is examining new generation sources, and continues development of its Balanced Scorecard.
- SaskPower has also taken significant steps to reduce debt to provide increased financial flexibility.
- Requests for rate changes are now subject to review by the Saskatchewan Interim Rate Review Panel (SIRRP) pending implementation of a permanent review mechanism.
- Weather conditions.
- Fuel, purchased power and maintenance costs.
- Competition from other energy sources.
- Vulnerability to loss of major accounts from cogeneration, self-generation or relocation.
- Total assets of $3.2 billion (1998 - $3.2 billion).
- Debt ratio (debt as a percentage of debt and equity) of 56 per cent (1998 - 59 per cent).
- Return on equity (earnings as a percentage of average equity) of 10 per cent (1998 - 13 per cent).
- Dividends declared to CIC of $62.6 million (1998 - $77.2 million).

- SaskTel will be regulated under the Canadian Radio-television and Telecommunications Commission (CRTC) by June 30, 2000. Prior to June 30, requests for rate changes will be subject to review by SIRRP.
- SaskTel will operate in a fully competitive environment.
- Continued reduction in long distance revenues is expected to be partly offset by growth initiatives, diversified income, and increased local access rates.
- In the wireless markets, competition is expected to intensify in the foreseeable future.
- Operating activities will continue to support growth and diversification initiatives. Focus on operational efficiency improvements is expected to contain costs and improve service delivery and internal processes.
- Long distance revenues declining further due to the flat rate plans, saving plans and promotions.
- The success of new revenue growth opportunities, particularly in the IP (Internet protocol) networking, broadband, and e-business markets.
- The impact of changes to services and pricing, including local rate increases for residential and business customers.
- The success of cost saving initiatives implemented.
- Changes to operating regulations and competitive environment, depending on the outcome of SaskTel's application to the CRTC for a transitional regulatory framework.
- Increased competitive pressures resulting from continued industry consolidation and convergence.
- Total assets of $1.2 billion (1998 - $1.2 billion).
- Debt ratio of 39 per cent (1998 - 39 per cent).
- Return on equity of 11 per cent (1998 - 15 per cent).
- Dividends declared to CIC of $60.8 million (1998 - $51.3 million).

SaskEnergy

SaskEnergy is Saskatchewan's natural gas transmission and distribution company, providing low-cost energy to more than 317,000 residential, farm, commercial and industrial customers utilizing a 64,000 kilometre distribution system. SaskEnergy has 809 permanent full time employees.

SaskEnergy has four wholly-owned major subsidiaries:

- TransGas Limited - natural gas transportation and storage;
- Many Islands Pipe Lines (Canada) Limited - transports natural gas interprovincially and internationally;
- Bayhurst Gas Limited - holds natural gas royalty interests; and,
- SaskEnergy International Incorporated - provides international consulting services and holds equity investments.

- Earnings were $36.6 million (1998 - $36.3 million).
- Revenues of $399.6 million (1998 - $367.0 million) were up largely due to a full year's impact of rate increases introduced in November 1998 (12.8 per cent for SaskEnergy residential customers) and in January 1999 (2.9 per cent for TransGas customers). As well, 3,794 new customers were added to the distribution system (1998 - 4,254).
- Expenses were $363.0 million (1998 - $330.7 million). The increase was mainly due to a higher cost of gas, primarily a result of rising gas commodity prices and increased sales volume.
- Debt was $730.6 million (1998 - $731.8 million).
- Capital spending was $61.3 million (1998 - $59.3 million).
- SaskEnergy increased residential natural gas rates by 9.1 per cent on December 15, 1999. The increase was solely to recover SaskEnergy's higher cost for natural gas and the new rates are in effect to October 31, 2000.
- The natural gas rates being offered by SaskEnergy to their distribution system customers were among the lowest in Canada in 1999.
- During 1999, TransGas announced a two-year rate freeze for 2000 and 2001.
- TransGas continues to offer its customers export rates that are lower than its main competition in Alberta, TransCanada Pipelines Limited (formerly Nova Corporation).

Sask Water

Our Water...Our Future

Sask Water, headquartered in Moose Jaw, manages, administers, develops and protects the water and related land resources in Saskatchewan.

Sask Water has approximately 235 employees and operates within three major lines of business:

- water management and protection;
- water supply and wastewater treatment services; and,
- water-based economic development.

- Loss was $9.7 million (1998 - $1.1 million loss).
- In 1999, a $5.2 million loss due to unusual items was incurred as a result of the bankruptcy of one of Sask Water's customers. This consisted of $3.5 million in realized losses plus an additional $1.7 million reduction in the expected value of the assets recovered through the bankruptcy.
- Operating revenues were $26.7 million (1998 - $28.3 million). The decrease was due to reduced potato and water sales.
- Operating expenses were $31.2 million (1998 - $29.1 million). The increase was mainly due to an increase in amortization, interest costs, and an allowance for a retirement benefit negotiated in the corporation's recent collective bargaining agreement.
- Debt increased by $4.3 million to $59.3 million (1998 - $55.0 million).
- Capital spending was $2.4 million (1998 - $15.9 million). Capital spending levels were higher in 1998 due to the construction of four potato storage facilities. Excluding these, 1999 capital spending levels were substantially similar to 1998 levels.

- SaskEnergy is adding new services in Saskatchewan in 2000. A major initiative involves SaskEnergy partnering with natural gas appliance suppliers and contractors to provide home heating check-up and tune-up services.
- Export volumes transported by TransGas are expected to be higher in 2000 than in 1999 due to record drilling activity during 1999 and expected strong drilling activity into 2000.
- Requests for rate changes are now subject to review by SIRRP pending implementation of a permanent review mechanism.

- Weather. A one per cent change in winter temperatures affects net income by approximately $1 million.
- Energy conservation efforts of customers.
- Natural gas prices. A one cent change in natural gas prices for a year changes the cost of natural gas by about $600,000.
- SaskEnergy has a natural gas purchasing and hedging program to manage natural gas price risks.
- Transmission volumes can be affected by the amount of natural gas drilling activity in the province and by the amount of Alberta natural gas being used by Saskatchewan consumers.

- Total assets of $1.2 billion (1998 - $1.2 billion).
- Debt ratio of 71 per cent (1998 - 72 per cent).
- Return on equity of 13 per cent (1998 - 14 per cent).
- Dividends declared to CIC of $20.1 million (1998 - $19.9 million).

- Sask Water plans to complete work on the Buffalo Pound outlet and embankment and Rafferty dam embankment as part of a multi-year program to rehabilitate provincially owned water management structures.
- Sask Water will continue to work with municipal and other clients to develop new water and wastewater treatment facilities to meet its customers' needs.
- It is expected that potato storage usage will increase by attracting new potato producers and storage clientele in 2000 and future years.

- **Water Power Act** revenues fluctuate with weather and spring runoff conditions.
- Approximately one third of utility water sales revenue depends on demand from the potash and fertilizer industries. Sales levels to municipal customers are dependant on weather conditions. These factors are mitigated by the use of long term supply contracts with minimum take or pay volume requirements.
- Potato sales revenues fluctuate with prevailing market prices.
- Potato storage facility rental revenues depend on occupancy rates.

- Total assets of $96.5 million (1998 - $101.3 million).
- Sask Water receives subsidies from the GRF and is not expected to declare a dividend to CIC.

SGI CANADA

SGI, under the trade name of SGI CANADA, conducts a competitive general insurance business offering a comprehensive line of home, tenant, farm, automobile extension and commercial coverages. SGI acts as the administrator of the Saskatchewan Auto Fund, the province's compulsory vehicle insurance program (see below). SGI CANADA Insurance Services Ltd. (SCISL), a subsidiary of SGI, sells insurance in other provinces.

SGI employs more than 1,500 people and operates 20 claims centres and five salvage centres in 13 communities across the province.

- Earnings were $10.1 million (1998 - $31.1 million).
- Revenues of $184.4 million (1998 - $189.9 million) decreased largely due to reduced gains on the sale of investments which were $7.6 million lower than 1998.
- Claims and other expenses totalled $174.2 million in 1999 (1998 - $158.5 million). Claims costs increased due to higher summer storm activity, more fires and adverse developments on prior year claims. Other expenses decreased slightly compared to 1998.
- Capital spending in 1999 totalled $0.3 million (1998 - $1.2 million). 1999 capital spending was primarily for computer equipment.

Saskatchewan Auto Fund

The Saskatchewan Auto Fund (the Fund) is a compulsory provincial vehicle insurance program administered by SGI. The Fund provides vehicle registrations, driver's licenses and related services for more than 820,000 vehicles and 660,000 drivers in Saskatchewan. The Fund is intended to operate on a break-even basis over time.

The Fund is not a CIC subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Fund. The results of the Fund are not included in CIC's or SGI's consolidated financial statements.

- Earnings were $29.5 million (1998 - $36.2 million), reducing the deficit in the Rate Stabilization Reserve (RSR) to $62.1 million (1998 - $91.6 million).
- Revenues in 1999 were $474.6 million (1998 - $452.7 million). Increased revenues were a result of increased premiums due to a newer vehicle population and a two per cent general rate increase. Increased premiums were partially offset by lower gains on the sale of investments.
- Total claims and expenses were $445.2 million (1998 - $416.5 million). Claims costs increased due to a higher volume of vehicle damage claims and an increase in the average cost to repair vehicles. As well, the number of injury claims increased in 1999 combined with an increase in the average cost per injury claim due to the indexation of injury benefits. Other expenses decreased by 8.1 per cent over 1998.
- Capital spending totalled $7.0 million (1998 - $3.2 million). Included in 1999 capital spending is the construction of a new salvage centre in Moose Jaw.

HARO Financial Corporation (HARO)

(and its subsidiary, Crown Life Insurance Company)

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company (Crown Life). CIC owns 68 million non-voting shares of HARO at a cost of $68 million, and has a term loan to HARO totalling $204.7 million. In 1999, HARO held a 64 per cent ownership interest in Crown Life.

In January 1999, Crown Life sold substantially all of its insurance business to The Canada Life Assurance Company.

- Crown Life's performance determines HARO's capacity to service its loan from CIC.
- In January 1999, Crown Life retracted $149.5 million of convertible debentures owned by HARO. HARO, in turn, repaid the $149.5 million Additional Loan from CIC.
- Crown Life has not paid any common share dividends for several years. HARO was thus not required to pay interest on its $204.7 million term loan from CIC.

- The 1999 financial results were adversely affected by prior year claims, which is not anticipated in 2000. Therefore, assuming normal weather conditions in 2000, financial results should be significantly better than 1999.

- Weather conditions (particularly summer storms) affect profitability of insurance operations.
- Capital market conditions affect investment returns and therefore profitability.
- To mitigate the effect of catastrophic events (e.g. storms), SGI CANADA purchases reinsurance protection which passes part of the risk to other insurers.
- Competition in the markets in which SGI CANADA operates.

- Total assets of $347.6 million (1998 - $342.2 million).
- Return on equity of 9 per cent (1998 - 28 per cent).
- Net risk ratio[1] (premiums written in relation to statutory capital and surplus) of 1.6 (1998 - 1.6).
- Dividends declared to CIC of $9.1 million (1998 - $28.0 million).

1 A performance indicator widely used in the insurance industry.

- A review of the Personal Injury Protection Plan (PIPP) by an independent panel will begin in 2000. The outcome of its review may have implications for the Fund.
- The average two per cent rate increase effective January 1, 2000 is critical to the continued reduction of the accumulated deficit in the RSR.
- Requests for rate changes are now subject to review by SIRRP pending implementation of a permanent review mechanism.

- Winter driving conditions and summer storm activity have a significant effect on the financial results of the Fund.
- Reinsurance protection is purchased to mitigate the effect of catastrophic events.

- Total assets of $671.4 million (1998 - $601.8 million).
- Accumulated deficit of $62.1 million (1998 - $91.6 million).

- As a result of the sale to The Canada Life Assurance Company, Crown Life retained approximately $1.5 billion in assets. The business strategy for these remaining assets will be developed during 2000.
- If Crown Life pays dividends on its common shares in 2000, HARO will, in turn, begin making interest payments to CIC on its term loan.

- Since HARO's only investment is in Crown Life, the financial performance of HARO is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by:
  - North American real estate markets;
  - appropriate risk management; and,
  - investment performance.

- Contribution to consolidated financial results:

revenue - $0.3 million
(1998 - $9.0 million)

earnings - $0.3 million
(1998 - $9.0 million)

assets - $272.7 million
(1998 - $422.0 million)

NewGrade Energy Inc.
(NewGrade)

NewGrade operates a heavy oil upgrading plant in Regina. It is owned equally by CIC and Consumers' Co-operative Refineries Limited (CCRL), a wholly-owned subsidiary of Federated Co-operatives Limited of Saskatoon. NewGrade has an annual processing capacity of approximately 20 million barrels of heavy crude oil.

NewGrade has 181 permanent employees.

- After three consecutive profitable years, NewGrade had a loss in 1999 primarily because of depressed price differentials in the early part of the year.
- The average price differential between NewGrade's heavy crude oil feedstock and its reconstituted crude product was below operating break-even levels for the first part of the year due to the low general level of crude oil prices, but improved in the latter part of the year.
- Both shareholders were required to provide cash deficiency funding in 1999 (CIC - $18.4 million; CCRL - $6.6 million). There was no cash deficiency funding required in 1998.

Western Canadian Beef Packers Inc.
(WCBP)

WCBP is a large scale, federally inspected, HACCP (Hazardous Analysis Critical Control Points) approved beef slaughter and processing operation housed in two plants in Moose Jaw.

WCBP purchases cattle from more than 15,000 Saskatchewan producers and feedlot operators, and exports its processed products worldwide.

WCBP has approximately 264 full time employees.

- Loss of $4.9 million (1998 - loss of $0.5 million after acquisition on September 16, 1998).
- Results continued to be negatively affected by high cattle costs with little corresponding increase in wholesale prices.

- NewGrade expects modestly improved financial performance for 2000.
- Industry analysts are forecasting price differentials to remain at relatively higher levels during the first part of 2000, and decline thereafter to more historic levels.
- NewGrade expects to process somewhat higher volumes of heavy crude than in 1999 because there is no scheduled bi-annual major one-month maintenance shutdown for the entire complex this year.
- Cash deficiency funding from both shareholders is expected to be required again in 2000 to retire maturing debt.

- Price differentials. At current operating levels, a $0.50 per barrel change in the price differential affects annualized earnings and cash flow by $9.0 million.
- Changes in the U.S./Canada exchange rate affect crude oil prices in Canada, and proportionately affect the price differential. A lower exchange value for the Canadian dollar increases the price differential and vice versa.
- The effect of U.S./Canada exchange rate changes on price differentials is partially offset by the effect on the cost of servicing U.S. dollar debt.
- Natural gas input costs. A $0.10/gigajoule change in the price of natural gas affects annualized earnings and cash flow by $1.0 million.

- Contribution to consolidated financial results:

revenue - $232.1 million
(1998 - $229.1 million)

loss - $17.1 million
(1998 - earnings of $7.7 million)

assets - $137.5 million
(1998 - $133.2 million)

- Cattle costs are expected to remain high throughout most of 2000.
- Marginal improvement is expected in both export markets and by-product returns.
- Continued high cattle costs with little or no corresponding increase in beef prices is expected to result in continued weak performance.
- CIC will actively seek out a strategic purchaser.

- Cattle costs and beef prices.
- Continued pressure from other, cheaper proteins (ie. pork).
- By-product returns.
- Significant staff turnover resulting in increased training costs.
- One-time costs associated with achieving HACCP recognition.

- Contribution to consolidated financial results:

revenue - $171.6 million
(1998 - $28.5 million)

loss - $4.9 million
(1998 - $0.5 million)

assets - $15.6 million
(1998 - $13.4 million)

Meadow Lake Pulp Limited Partnership
(MLPLP)

MLPLP operates one of the world's first zero-effluent chemi-thermomechanical pulp (CTMP) mills.

The mill has produced up to an annualized rate of 300,000 tonnes per year of chlorine-free hydrogen peroxide bleached CTMP. CIC owns 50 per cent of MLPLP, with Millar Western holding the remaining 50 per cent. The state-of-the-art, environmentally friendly mill is located near Meadow Lake and uses Saskatchewan aspen as its fibre source.

MLPLP has 195 employees and provides an additional 245 jobs in the woodlands.

- MLPLP's performance for 1999 was above expectations and well above 1998, largely a result of a partial buyout of a long term supply contract MLPLP had with a customer.
- A recovery of pulp prices began in the spring and continued throughout 1999. The recovery was driven by a tightening in the demand/supply balance of the pulp market. This was a result of an increase in demand and slight reduction in capacity in 1999.
- In 1999, as part of the ongoing efforts to financially restructure MLPLP:
  - CIC fulfilled its obligation to MLPLP's external bank lender to fund all operating cash flow deficiencies until August 31, 1999. Related advances totalled $5.5 million in 1999, and a total of $10.5 million since the establishment of this arrangement.
  - During 1999, in exchange for an extension of MLPLP's bank term loan maturity to May 31, 2000, CIC agreed to extend this arrangement to May 31, 2000. Due to improved market conditions, no further CIC funding has been required.

Saskferco Products Inc.
(Saskferco)

Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 73,000 tonnes of anhydrous ammonia for sale and 930,000 tonnes of granular urea, marketed in Canada and the northern United States.

CIC owns 49 per cent of Saskferco, Cargill Limited (Canada) 50 per cent, and Citibank Canada 1 per cent.

Saskferco has 133 permanent employees and 38 contract positions.

- Saskferco's contribution to CIC's 1999 results was a net loss due to low urea and ammonia prices and high natural gas prices.
- Production of urea and ammonia surpassed targeted design capacity.

- As a result of strong pricing forecast for pulp, MLPLP expects to generate profits.
- Prices are expected to further strengthen.
- The medium term outlook is for a sustained price recovery through 2001. However, this depends upon continuation of the tight demand/supply balance.

- Market pulp prices.
- Industry demand/supply balance plays a role in capacity utilization rates of pulp mills.
- U.S./Canada exchange rate. Most pulp sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on pulp prices is partially offset by its effect on the cost of servicing MLPLP's U.S. debt. MLPLP has hedged a portion of its U.S. dollar sales to lessen its exposure.
- Input costs such as bleaching chemicals and wood (including stumpage and reforestation costs).

- Contribution to consolidated financial results:

revenue - $73.2 million
(1998 - $48.3 million)

earnings - $10.6 million
(1998 - loss of $46.6 million)[1]

assets - $153.7 million
(1998 - $133.2 million)

1 Included in 1998 results is a $30.0 million loan loss provision.

- World excess supply of nitrogen fertilizer is expected to keep prices at relatively low levels.
- Natural gas prices are expected to be higher than in 1999.
- These factors are projected to result in a small loss for 2000.
- The longer term demand outlook remains positive.

- Urea and ammonia market prices.
- Major input costs such as natural gas.
- U.S./Canada exchange rate. A large portion of Saskferco's sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on sales revenues is partially offset by its effect on the cost of servicing U.S. debt.

- Contribution to consolidated financial results:

loss - $2.2 million
(1998 - earnings of $10.1 million)

assets - $103.0 million
(1998 - $108.2 million)

Cameco Corporation
(Cameco)

Cameco is one of the world's largest, low-cost uranium mining and processing companies. Its head office is in Saskatoon. Cameco's uranium products are used to generate electricity in nuclear plants around the world. It also has a significant presence in gold exploration and mining.

CIC assumed the former Saskatchewan Mining Development Corporation's (SMDC) ownership in Cameco after SMDC's wind-up in 1993. Various share transactions have reduced CIC's ownership to 9.5 per cent at December 31, 1999.

Cameco has approximately 1,300 employees in Canada.

- CIC received $2.7 million in dividends from Cameco.
- Cameco sold uranium assets valued at $250 million to Cogema realizing a gain of $71 million (these were assets held by Cameco as a result of the purchase of Uranerz Exploration and Mining Ltd. in 1998).
- Cameco's share price was $21.95 at the end of 1999 (1998 - $27.45). Uranium prices rose 24 per cent in early 1999 but ended the year 9.7 per cent higher than at the end of 1998. This was a smaller increase than had been anticipated which, in turn, reduced Cameco's long-term contract prices and Cameco's share price.

SASKATCHEWAN TRANSPORTATION COMPANY

Saskatchewan Transportation Company (STC) is a common bus carrier providing passenger transportation, parcel express and freight services throughout Saskatchewan. STC owns and operates depots in Regina, Saskatoon and Prince Albert. It serves 276 communities in the province, providing more than 3.3 million passenger miles in service each year.

STC has 246 employees.

- Loss before grant was $3.1 million (1998 - $3.7 million).
- CIC provided STC with grants of $4.0 million to cover its operating cash shortfall and its capital expenditures.
- Operating revenues were $12.7 million (1998 - $13.0 million).
- Operating expenses were $15.8 million (1998 - $16.7 million). The decline in expenses was largely due to continued cost containment efforts.
- Capital expenditures were $2.0 million (1998 - $0.3 million). Additional capital costs in 1999 included the purchase of three new highway cruiser coaches and three 22-seat coaches, as well as trailers and towing hitches. The purchases were necessary to help right-size the fleet and replace older equipment.

- Dividends of $0.50 per share are expected to continue in 2000.
- Uranium prices are not expected to rise substantially in 2000 as large quantities of enriched uranium product are available on the market.
- The longer term outlook remains positive, as uranium production remains well below consumption and uncovered demand for 2001 remains high.
- Cameco began production at its low cost McArthur River uranium mine in late 1999 and expects to be at full capacity by 2002. This should improve earnings as this low cost product replaces sales of higher cost purchased material.

- Uranium prices, and to a lesser extent, gold prices.
- U.S./Canada exchange rate. Uranium and gold are sold in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received.

- Contribution to consolidated financial results:

  revenue - $2.7 million
  (1998 - $2.7 million)

  earnings - $2.7 million
  (1998 - $2.7 million)

  assets - $114.9 million
  (1998 - $114.9 million)

- STC anticipates a slight decline in its cash shortfall in 2000.
- The company anticipates a further $2.0 million in capital spending in 2000, mainly for continued fleet optimization.
- The federal government has not proceeded, at this time, with its legislation to deregulate the inter-city bus industry. However, STC's planning continues to be centred on the need to meet competition in the very near future.

- Declining passenger base with changing demographics.
- North America wide decline in the use of intercity bus lines.

- Total assets of $17.5 million (1998 - $16.3 million).
- STC received an operating grant of $2.0 million from CIC (1998 - $2.5 million).
- STC received a capital grant of $2.0 million from CIC (1998 - $0.2 million).
- STC has no debt.
- Cash operating loss of $1.8 million (1998 - $2.4 million).

SASKATCHEWAN OPPORTUNITIES CORPORATION

Saskatchewan Opportunities Corporation (SOCO) supports economic growth and job creation through direct investment in businesses. SOCO targets projects that involve the export of Saskatchewan goods or services or projects where locally produced goods and services replace those previously imported. SOCO focuses on sectors that make a significant contribution to the province's economy and have continued potential for growth.

SOCO operates Innovation Place, a research and development park in Saskatoon, and is developing a new research and development park in Regina.

SOCO has 66 employees.

- Earnings were $0.3 million (1998 - $0.7 million).
- Revenues of $18.6 million (1998 - $14.7 million) included grants from the GRF of $6.7 million (1998 - $4.7 million). Operating revenues increased due to increased tenant occupancy at Innovation Place and higher returns on a larger investment portfolio.
- Expenses of $18.3 million (1998 - $13.9 million) were up due to higher interest costs and expenses related to new development at Innovation Place.
- 1999 charge for investment impairment was $2.1 million (1998 - $1.3 million).
- Debt increased to $118.5 million (1998 - $100.9 million) to fund capital spending related to the Regina Research Park, Innovation Place and the investment portfolio.
- Capital and investment spending was $33.2 million (1998 - $15.7 million) reflecting continued growth in the investment portfolio and the construction of new buildings at Innovation Place and the Regina Research Park.

SASKATCHEWAN GOVERNMENT GROWTH FUND

Saskatchewan Government Growth Fund Management Corporation (SGGF) participates in the federal government's Immigrant Investor Program. The purpose of the program is to acquire lower cost capital for investment in Saskatchewan on commercial terms. This provides small and medium-sized businesses with capital to grow and prosper, facilitating long-term economic growth and development for the province.

Investment funds are raised through eight subsidiary fund companies (SGGF Ltd., SGGF II, SGGF III, SGGF IV, SGGF V, SGGF VI, SGGF VII, and SGGF VIII) and are managed by SGGF. The funds are not consolidated with SGGF unless there are residual profits after full repayment of investors' capital. As there were residual profits after repayment, the results of SGGF Ltd. were consolidated with SGGF effective December 31, 1998.

SGGF has raised more than $246 million of immigrant investor capital since its inception in 1989, making it one of the largest immigrant investor funds in Canada.

SGGF has nine employees.

- Net loss of $1.2 million (1998 - earnings of $16.4 million). Results in 1998 reflected the inclusion of $16.4 million of residual profits in SGGF Ltd. that were consolidated with the management corporation.
- Results in 1999 included a $2.9 million non-cash provision for investment losses (1998 - nil).
- Income from operations was $1.7 million (1998 - $41 thousand). Revenues of $2.6 million (1998 - $1.8 million) were up largely due to the effect of including SGGF Ltd.'s investment and interest income for the entire year.
- Expenses of $0.9 million (1998 - $1.8 million) were down mainly due to a reversal of investment advisor fees previously accrued.
- The Immigrant Investor Program, under which SGGF had been operating, ended on March 31, 1999. While SGGF is not participating in the new Federal program, the funds raised to March 31, 1999 will require management for at least the next six years.
- Three new funds were launched (SGGF VI, VII and VIII) with each attracting a full complement of 140 investors (maximum of $35 million of capital for each fund).
- Repayments began for SGGF II investors with 49 being repaid their full $250,000 investment.
- To the end of 1999, SGGF had, through its fund companies, invested more than $170 million in 56 new or expanding businesses.

[redacted]

- Construction of the first two buildings at the Regina Research Park will be completed during 2000 and they will be leased to tenants.
- Construction of a new building at Innovation Place was started at the end of 1999 and is scheduled for completion in 2000.
- SOCO's Investment Division will continue to pursue strategic investments that will result in increased wealth and jobs for the province.

- Credit and investment risks.
- Rental property vacancy rates.
- Interest rates.

- Total assets of $130.0 million (1998 - $108.8 million).
- Debt ratio of 96 per cent (1998 - 96 per cent).
- SOCO receives grants from the GRF and is not expected to declare a dividend to CIC.

- Each of SGGF's fund companies is at a different stage in its investment life cycle.
  - SGGF Ltd. is in the process of liquidating its residual investments.
  - SGGF II will continue to repay its investors and liquidate investments.
  - SGGF III is fully invested with the first investor repayments scheduled for December 2000.
  - SGGF IV and V are in the investment growth stage.
  - SGGF VI, VII and VIII are working towards getting the full subscription amount from subscribers.
- SGGF has plans to expand its workforce to include more internal investment management expertise as well as open a Saskatoon office.

- Ability to recover costs from revenues earned on investment funds under management.
- Continued liquidation of investments in SGGF II in order to meet repayment obligations.
- SGGF operates primarily on a cost-recovery basis and hence operates at or near break-even.

- Total assets of $16.2 million (1998 - $18.6 million).
- Total assets under management by SGGF of $155.1 million (1998 - $130.1 million).
- Total net loss in the fund companies for the year of $531 thousand (1998 - $4.5 million) due mainly to non-cash provisions for investment losses.

Corporate Governance

Corporate governance describes the process and structure for overseeing the direction and management of the Crown sector to effectively fulfill its mandate. CIC is committed to providing the ongoing training needed by directors of Crown boards to enable them to perform effectively. CIC also develops other corporate governance initiatives to assist Crown boards of directors to effectively discharge their responsibilities for overseeing and directing the management of Crown corporations. These initiatives help strengthen the governance, performance and accountability of its subsidiary Crown corporation boards.

Director Development

In 1998, CIC spearheaded several initiatives to strengthen the accountability of its subsidiary Crown Boards. This included a comprehensive six-day training program for directors of Crown boards. The program covered roles and responsibilities of board members, board organization, corporate governance, risk assessment and management, strategic planning, personnel management and the operation of board committees.

In 1999, CIC's Board Training Program reinforced the critical knowledge acquired by directors who participated in the 1998 comprehensive training program. There were three sessions. The first session covered the Crown Sector Strategic Plan, in particular public policy considerations and the role of boards in strategic planning. The second session concerned the application of the Balanced Scorecard in the Crown sector, board responsibility for overseeing corporate risk management, and ensuring that information provided to the board supports good decision making. The third session focussed on corporate governance, including current and anticipated ("next") best practices and global trends in corporate governance. Directors discussed opportunities to further improve the current governance model.

Accountability and Board Performance

CIC has developed guidelines to assist Crown boards in evaluating and enhancing overall board performance. In 1999, the evaluation process was expanded to include assessment of board chairs and board committees. Evaluation of individual directors is a likely next practice in corporate governance. Accordingly, CIC is considering the development of guidelines for the evaluation of individual directors.

Board Renewal

An effective board of directors requires ensuring that its members have the right mix of backgrounds and skills. The appointment of directors is a fundamental shareholder prerogative. However, directors have a unique insight into the functioning of their respective board. In 2000, CIC will develop a policy which sets out the role of Crown boards in identifying and recruiting new directors.

Shareholder Communications

A priority for CIC is to facilitate the ongoing open exchange of shareholder expectations and views with its subsidiary Crown boards. In 1999, senior CIC officials held seven meetings with Crown board chairs to discuss issues of mutual interest. Board chairs submit regular reports to the CIC Board to highlight major Crown board activities and significant corporate initiatives.

Governance Scorecard

In 1999, CIC engaged the Conference Board of Canada to compare the current governance practices of CIC Crown boards to external benchmarks in the public and private sectors. According to Conference Board research, Canada leads the world in governance practices. The Conference Board concluded that the governance practices of CIC Crown boards are among the very best in Canada, scoring in the top 25 per cent of Canada's public and private sector boards.

Crown Sector Strategic Plan

During 1998, CIC in cooperation with its subsidiary Crowns, began to develop the Crown Sector Strategic Plan. The objective was to provide long term direction to the Crown sector to facilitate long term planning. This plan was completed and began to be implemented in 1999. It includes a guiding vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives. This will help to ensure that individual Crown corporation strategies are aligned with the overall strategic plan for the Crown sector. Specifically, CIC and its subsidiary Crowns are expected to align their respective corporate strategies with the following five strategic business objectives under the Crown Sector Strategic Plan:

Customer:	Exceed customer expectations for products and services.
Financial Health:	Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector.
Mandate & Role:	Incorporate the Crown sector's mission into each corporation's mandate and role. Strive to balance public accountability with each Crown corporation's need to operate in commercially competitive environments.
Public Purpose:	Strive to ensure access to reasonably and competitively priced sector products and services on an equitable basis that might otherwise not be available to all or some of Saskatchewan's residents. Contribute to social, economic and environmental public policies of the Government of Saskatchewan, including: economic diversification and growth; representative workforces; skills training and development; technical innovation and development; and, environmental responsibility and stewardship.
Human Resources:	Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

The Balanced Scorecard

In 1997, CIC introduced the Balanced Scorecard as a performance management tool. It is designed to balance each Crown's business needs with meaningful accountability to the people of Saskatchewan. Crown corporation Boards of Directors and management have the flexibility to respond to market forces while remaining accountable to the public for their decisions.

The Balanced Scorecard is a system of objectives, targets and performance measures set by the CIC Board for CIC and its subsidiary Crowns. It is designed to identify and to balance competing interests from the perspectives of public policy, financial performance, innovation and learning and customer satisfaction. For 2000, CIC has introduced leadership as a fifth perspective in its own Balanced Scorecard. This perspective, unique to CIC, highlights its role in providing strategic direction for the Crown sector.

It should be noted that the Balanced Scorecard is a "work in progress", and with each planning cycle, it is expected that there will be improvements, modifications and adjustments. It is expected that the full development of Crown-specific objectives, measures and targets will take several years.

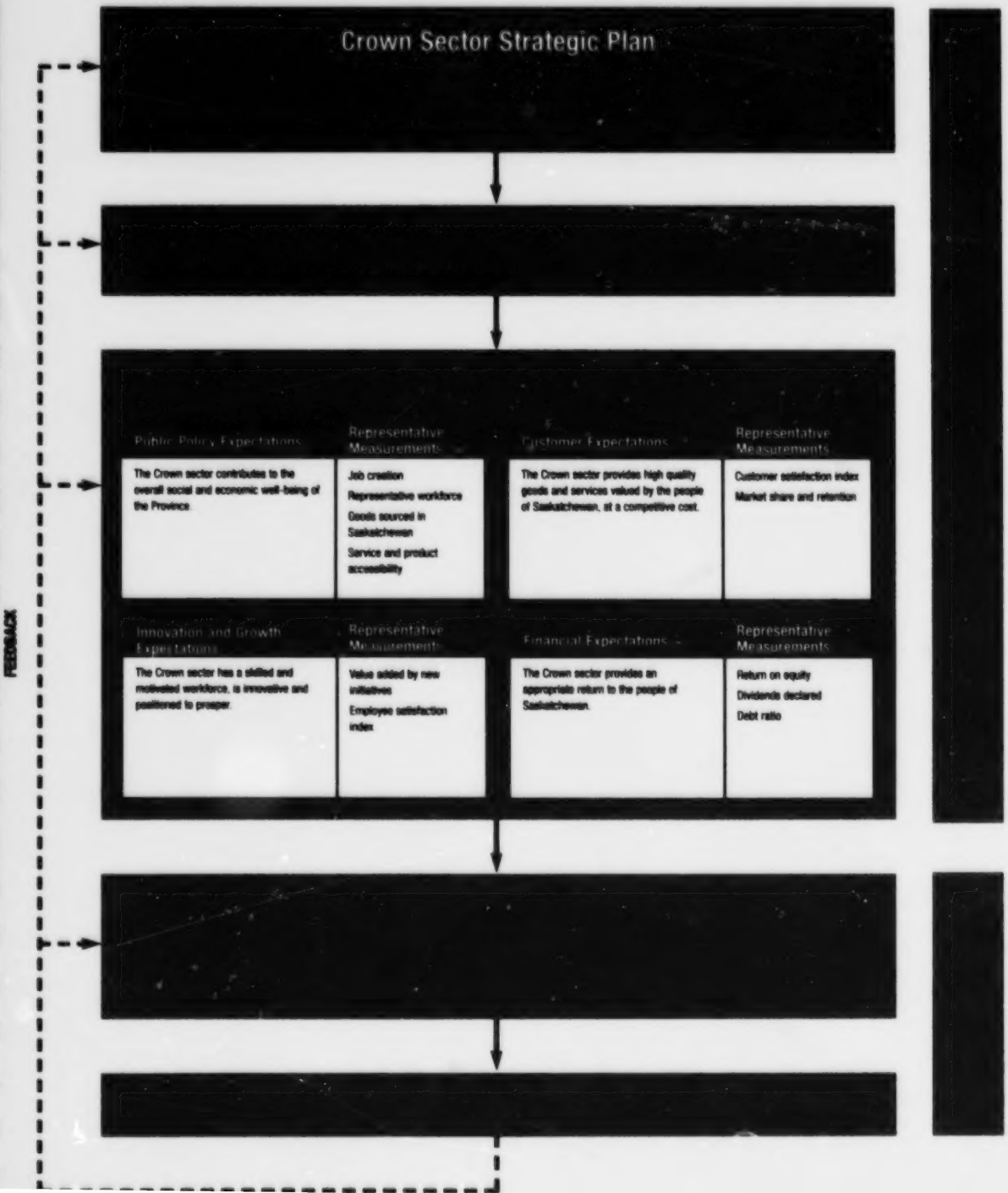
1999 marked the second complete cycle of the Balanced Scorecard. Crowns further developed specific objectives, measures and targets appropriate to each Crown that relate to the public's expectations for the Crown Sector in the areas of public policy, financial performance, customer satisfaction and innovation and learning. CIC and each subsidiary Crown develop business plans supporting their respective Balanced Scorecard targets.

For 2000, CIC and each subsidiary Crown further refined and developed their individual Balanced Scorecards, and linked the associated performance objectives, measurements and targets with the overall direction of the Crown Sector Strategic Plan.

In early 2000, CIC introduced a performance reporting and disclosure policy for annual reports of CIC and its subsidiaries that will phase-in public reporting of Balanced Scorecard objectives, measurements and targets by 2003.

Crown Sector Strategic and Performance Management

Together with the Crown Sector Strategic Plan, the Balanced Scorecard forms an integrated short- and long-term strategic and business planning and performance management system. The following figure summarizes the general form of this integrated system.


Crown Sector Strategic Plan
Public Policy Expectations
Representative Measurements
The Crown sector contributes to the overall social and economic well-being of the Province.
Job creation
Representative workforce
Goods sourced in Saskatchewan
Service and product accessibility
Customer Expectations
Representative Measurements
The Crown sector provides high quality goods and services valued by the people of Saskatchewan, at a competitive cost.
Customer satisfaction index
Market share and retention
Innovation and Growth Expectations
Representative Measurements
The Crown sector has a skilled and motivated workforce, is innovative and positioned to prosper.
Value added by new initiatives
Employee satisfaction index
Financial Expectations
Representative Measurements
The Crown sector provides an appropriate return to the people of Saskatchewan.
Return on equity
Dividends declared
Debt ratio
FEEDBACK

Significant Transactions

In 1997, CIC developed guidelines for reporting on significant transactions. These guidelines were approved by the CIC Board, as well as the Legislature's Standing Committee on Crown Corporations (Crown Corporations Committee).

The policy requires that all CIC Crowns, CIC and CIC III, report all significant transactions to the Crown Corporations Committee within 90 days of the transaction, generally the date upon which funds are advanced or received. Where a Crown owns subsidiaries, significant transactions will be reported whether undertaken by the Crown or its subsidiary. Reports, which may be made verbally before the Crown Corporations Committee, must describe the objectives of the transaction, its financial implications and the authority for the transaction.

A significant transaction is broadly defined as one that is material (i.e., value greater than one per cent of the Crown's assets) and outside the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Additionally, Crowns must report transactions that do not fall under the above conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Such transactions would include, for example, external investments and the creation of new subsidiaries.

The need for disclosure from a public information perspective, must be balanced against the Crowns' legitimate need for confidentiality where bona fide grounds exist regarding commercially sensitive and competitive information. In such circumstances, the Crown in question is exempted from reporting the details in question in its written report to the Crown Corporations Committee.

The following transactions were reported to the Crown Corporations Committee in 1999:

- CIC - HARO/Crown Life Sale of Crown Life Insurance Company's insurance business to Canada Life.
- SaskEnergy - Acquisition of Gas Sur of Chile.
- Sask Water - Sale of Lucky Lake Storage Facility to Lake Diefenbaker Potato Corporation.
- SaskTel - Conversion of Saturn Communications Limited shares into Austar United Communications Limited shares.

The Year 2000 Issue

Many older computer programs were written in code which does not recognize that the Year 2000 follows 1999. In these programs, the Year 2000 becomes "00", which may be interpreted by programs as the year 1900 and cause them to not function properly. If uncorrected, this could have led to a breakdown of important business processes.

During 1999, the Crown sector continued its Year 2000 remediation efforts. CIC and its subsidiary Crowns established contingency plans to address possible Year 2000 problems. CIC monitored the progress of the Crown sector and its investments in attaining Year 2000 readiness throughout 1999. CIC provided regular reports to both the CIC Board and to the Crown Corporations Committee.

The transition from December 31, 1999 to January 1, 2000 occurred without incident across the Crown sector and CIC's investments. There were no disruptions in service.

Crown corporations update their systems in the ordinary course of business. These costs are not included in the $35.8 million estimated total cost for Crown sector Year 2000 readiness. For further information with respect to the Year 2000, please refer to each Crown corporation's 1999 Annual Report.

CIC spent approximately $130 thousand on its Year 2000 remediation program. These costs included independent consulting services to provide ongoing advice and review of the project, as well as the replacement of non-compliant hardware and software applications.

Saskatchewan Interim Rate Review Panel

In October 1999, the Government announced its intention to replace the existing 45-Day Rate Review process for Crown monopoly rates with a new process. On November 18, 1999, the Minister of Crown Investments Corporation issued a Ministerial Order establishing the Saskatchewan Interim Rate Review Panel (SIRRP) as a ministerial advisory committee. SIRRP will continue, pending the development and implementation of a permanent review process.

SIRRP's mandate, which extends to July 31, 2000, is to:

- conduct a review and provide an opinion on the fairness and reasonableness of proposed Crown Corporation monopoly rate changes, referred to the Panel by the Minister of Crown Investments Corporation, considering the interests of the customer, the Crown Corporation, and the public; and,

- provide its views to the Minister of Crown Investments Corporation, as it deems appropriate, regarding options to consider for the development of a permanent rate review process.

SIRRP has four members:

- Gerald Fiske, Chair;
- Frank Degenstein;
- Bob Lacoursiere; and,
- Joan Meyer.

Crown Investments Corporation of Saskatchewan
Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors has delegated certain of the responsibilities to its Audit Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

The Provincial Auditor of Saskatchewan has audited the Consolidated Financial Statements. His report to the Members of the Legislative Assembly, stating the scope of his examination and opinion on the Consolidated Financial Statements, appears opposite.

Frank Hart
President and CEO

Sheldon Schwartz, CFA
Chief Financial Officer

March 10, 2000

Auditor's Report

I have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 1999 and the consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelioff

Regina, Saskatchewan
March 10, 2000

Wayne Strelioff, CA
Provincial Auditor

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IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

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Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	1998
ASSETS	
Current	
Cash	$ 9,967
Short-term investments	135,986
Accounts receivable	575,055
Inventories	130,132
Prepaid expenses	71,365
	922,505
Long-term investments (Note 3)	1,120,673
Capital assets (Note 4)	5,059,987
Other assets (Note 5)	397,516
	$ 7,500,681
LIABILITIES AND PROVINCE'S EQUITY	
Current	
Bank indebtedness	$ 49,104
Accounts payable and accrued liabilities	432,299
Notes payable (Note 6)	178,334
Dividend payable to General Revenue Fund	150,000
Deferred revenue	119,173
Long-term debt due within one year (Note 7)	138,877
	1,067,787
Long-term debt (Note 7)	3,072,081
Deferred revenue and other liabilities (Note 8)	469,928
	4,609,796
Province of Saskatchewan's Equity	
Equity advances (Note 9)	1,404,952
Reinvested earnings	1,485,933
	2,890,885
	$ 7,500,681

Commitments and contingencies (Note 10)
(See accompanying notes)
On behalf of the Board:

Director

Director

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31

(thousands of dollars)

	1998
REVENUE	
Sales of products and services	$ 2,546,987
Investment (Note 3(f))	99,707
Other	37,672
	2,684,366
EXPENSES	
Operating costs other than those listed below	1,625,248
Interest (Note 11)	367,080
Amortization of capital assets	371,156
Saskatchewan taxes and resource payments (Note 12)	83,857
	2,447,341
Earnings before the following	237,025
Non-recurring items (Note 13)	107,445
NET EARNINGS	344,470
REINVESTED EARNINGS, BEGINNING OF YEAR	1,341,463
	1,685,933
DIVIDEND TO GENERAL REVENUE FUND	200,000
REINVESTED EARNINGS, END OF YEAR	$ 1,485,933

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position

As at December 31

(thousands of dollars)

	1999	1998
ASSETS		
Current		
Cash	$ 5,444	$ 9,967
Short-term investments	283,595	135,986
Accounts receivable	426,504	575,055
Inventories	134,849	130,132
Prepaid expenses	64,672	71,365
	915,064	922,505
Long-term investments (Note 3)	1,036,935	1,120,673
Capital assets (Note 4)	5,071,592	5,059,987
Other assets (Note 5)	302,885	397,516
	$ 7,326,476	$ 7,500,681
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	$ 93,198	$ 49,104
Accounts payable and accrued liabilities	444,140	432,299
Notes payable (Note 6)	104,870	178,334
Dividend payable to General Revenue Fund	125,000	150,000
Deferred revenue	121,557	119,173
Long-term debt due within one year (Note 7)	88,617	138,877
	977,382	1,067,787
Long-term debt (Note 7)	2,907,121	3,072,081
Deferred revenue and other liabilities (Note 8)	502,758	469,928
	4,387,261	4,609,796
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,362,452	1,404,952
Reinvested earnings	1,576,763	1,485,933
	2,939,215	2,890,885
	$ 7,326,476	$ 7,500,681

Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:

Director

Director

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31

(thousands of dollars)

	1999	1998
REVENUE		
Sales of products and services	**$ 2,719,561**	$ 2,546,987
Investment (Note 3(f))	**49,849**	99,707
Other	**34,425**	37,672
	2,803,835	2,684,366
EXPENSES		
Operating costs other than those listed below	**1,879,256**	1,625,248
Interest (Note 11)	**317,415**	367,080
Amortization of capital assets	**379,917**	371,156
Saskatchewan taxes and resource payments (Note 12)	**75,300**	83,857
	2,651,888	2,447,341
Earnings before the following	**151,947**	237,025
Non-recurring items (Note 13)	**63,883**	107,445
NET EARNINGS	**215,830**	344,470
REINVESTED EARNINGS, BEGINNING OF YEAR	**1,485,933**	1,341,463
	1,701,763	1,685,933
DIVIDEND TO GENERAL REVENUE FUND	**125,000**	200,000
REINVESTED EARNINGS, END OF YEAR	**$ 1,576,763**	$ 1,485,933

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)

	1999	1998
OPERATING ACTIVITIES		
Net earnings	$ 215,830	$ 344,470
Items not affecting cash from operations (Note 14)	295,631	254,919
	511,461	599,389
Net change in non-cash working capital balances related to operations	48,933	(21,338)
Cash provided by operating activities	560,394	578,051
INVESTING ACTIVITIES		
Purchase of investments	(336,578)	(290,112)
Proceeds from sales and collections of investments	425,196	282,475
Purchase of capital assets	(417,344)	(390,009)
Proceeds from sale of capital assets	74,856	205,591
Increase in other assets	(425)	(23,806)
Cash used in investing activities	(254,295)	(215,861)
FINANCING ACTIVITIES		
(Decrease) increase in notes payable	(73,464)	91,561
Increase in deferred revenue and other liabilities	21,246	12,898
Long-term debt proceeds from General Revenue Fund	160,000	90,000
Long-term debt proceeds from other lenders	24,236	26,250
Long-term debt repayments to General Revenue Fund	(256,510)	(346,042)
Long-term debt repayments to other lenders	(37,724)	(99,709)
Equity repayments to General Revenue Fund	(42,500)	(42,500)
Dividends paid to General Revenue Fund	(150,000)	(100,000)
Cash used in financing activities	(354,716)	(367,542)
NET DECREASE IN CASH DURING YEAR	(48,617)	(5,352)
CASH POSITION, BEGINNING OF YEAR	(39,137)	(33,785)
CASH POSITION, END OF YEAR	$ (87,754)	$ (39,137)
Cash position consists of:		
Cash	$ 5,444	$ 9,967
Bank indebtedness	(93,198)	(49,104)
	$ (87,754)	$ (39,137)

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	1998
OPERATING ACTIVITIES	
Net earnings	$ 344,470
Items not affecting cash from operations (Note 14)	254,919
	599,389
Net change in non-cash working capital balances related to operations	(21,338)
Cash provided by operating activities	578,051
INVESTING ACTIVITIES	
Purchase of investments	(290,112)
Proceeds from sales and collections of investments	282,475
Purchase of capital assets	(390,009)
Proceeds from sale of capital assets	205,591
Increase in other assets	(23,806)
Cash used in investing activities	(215,861)
FINANCING ACTIVITIES	
(Decrease) increase in notes payable	91,561
Increase in deferred revenue and other liabilities	12,898
Long-term debt proceeds from General Revenue Fund	90,000
Long-term debt proceeds from other lenders	26,250
Long-term debt repayments to General Revenue Fund	(346,042)
Long-term debt repayments to other lenders	(99,709)
Equity repayments to General Revenue Fund	(42,500)
Dividends paid to General Revenue Fund	(100,000)
Cash used in financing activities	(367,542)
NET DECREASE IN CASH DURING YEAR	(5,352)
CASH POSITION, BEGINNING OF YEAR	(33,785)
CASH POSITION, END OF YEAR	$ (39,137)
Cash position consists of:	
Cash	$ 9,967
Bank indebtedness	(49,104)
	$ (39,137)

(See accompanying notes)

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends upon future events. These consolidated financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the accounts of CIC Industrial Interests Inc. (CIC III), a wholly-owned share capital subsidiary of CIC, as well as the proportionate share of jointly controlled enterprises are consolidated in these financial statements.

Separate audited financial statements for CIC and for CIC III have been prepared on a non-consolidated basis to show the financial position and results of operations of these corporate entities. In addition, separate audited financial statements for each of the undernoted Crown corporations are prepared and submitted annually to the Legislative Assembly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC:

SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Forest Products Corporation (i)
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

i) Saskatchewan Forest Products Corporation was wound-up pursuant to Order-in-Council 736/1999, which came into force on December 31, 1999.

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements are as follows:

NewGrade Energy Inc.	50%
Meadow Lake Pulp Limited Partnership	50%

c) Inventories

Inventories for resale are generally valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

d) Investments

Short-term investments are valued at cost which approximates their market value.

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence other than joint control, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

e) Capital assets

Capital assets are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at a weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization. Telecommunication operations include all gains or losses in accumulated amortization.

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements are as follows:

NewGrade Energy Inc.	[redacted]
Meadow Lake Pulp Limited Partnership	

c) Inventories

Inventories for resale are generally valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

d) Investments

Short-term investments are valued at cost which approximates their market value.

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence other than joint control, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

e) Capital assets

Capital assets are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at a weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization. Telecommunication operations include all gains or losses in accumulated amortization.

1. Summary of Significant Accounting Policies (continued)

f) Amortization of capital assets

Amortization is recorded on machinery and equipment, buildings and improvements, as well as equipment under capital leases, primarily on the straight-line basis over the estimated productive life of each asset.

g) Other assets

Natural gas in storage is recorded at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

Deferred financing charges applicable to the issue of long-term debt are amortized on a straight-line basis over the respective term of each obligation.

h) Deferred revenue

Current deferred revenue primarily consists of insurance premiums. These premiums are taken into income over the life of the policy.

Non-current deferred revenue includes contributions in aid of construction relating to new service connections. These contributions are amortized over the estimated service life of the related asset.

i) Revenue recognition

Revenue from utility services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received, and accrued interest receivable is offset by deferred interest income.

j) Foreign exchange translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in earnings in the current year.

Long-term debt and related accrued interest payable in foreign currencies are recorded at exchange rates prevailing at the year end. Where the translation of long-term debt results in a difference from the previously recorded amount (i.e. translation gains and losses), the difference is deferred and amortized on a straight-line basis over the remaining term of the debt.

1. Summary of Significant Accounting Policies (continued)

k) Leases

As lessee, where the Corporation has substantially all of the benefits and risks incident to the ownership of capital assets, the lease is classified as a capital lease. Capital assets recorded as capital leases are amortized on a basis similar to other assets in the same amortization category. All other leases are classified as operating leases and lease payments are expensed as incurred.

As lessor, where the Corporation transfers substantially all of the benefits and risks incident to the ownership of a capital asset to the lessee, the lease is classified as a sales-type lease or direct financing lease. All other leases are classified as operating leases and lease payments are recorded as income.

l) Fair Value of short-term financial instruments

For certain of the Corporation's financial instruments including:

i) short-term investments
ii) accounts receivable
iii) bank indebtedness
iv) accounts payable and accrued liabilities
v) notes payable
vi) dividend payable to General Revenue Fund (GRF)

the carrying amounts approximate fair value due to their immediate or short-term maturity.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order-in-Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is subject to neither Federal nor Provincial income tax. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income tax.

3. Long-Term Investments

(thousands of dollars)

	Voting Percentages	1998
Equity Investments		
Saskferco Products Inc. (a)		
68,449,080 (1998 - 68,449,080)		
Class B common shares	49.0%	$ 108,249
Other share investments - equity basis		24,792
		133,041
Portfolio Investments		
Cameco Corporation (b)		
5,423,123 (1998 - 5,423,123)		
common shares	9.5%	114,898
Austar United Communications Limited (c)		
13,659,574 (1998 - Nil)		
common shares	2.9%	-
HARO Financial Corporation (d)		
68,000,000 (1998 - 68,000,000)		
Class B non-voting common shares		68,000
Other share investments - cost basis		63,019
		245,917
Bonds, Debentures, Loans and other Receivables		
HARO Financial Corporation (d)		353,977
Meadow Lake Pulp Loans (e)		41,505
Other bonds and debentures		169,595
Cornwall Centre Mortgages		36,890
Other loans and notes receivable		58,435
		660,402
Property Holdings		75,556
Leases Receivable		5,757
		$ 1,120,673

3. Long-Term Investments

(thousands of dollars)

	Voting Percentages	1999	1998
Equity Investments			
Saskferco Products Inc. (a) 68,449,080 (1998 - 68,449,080) Class B common shares	49.0%	**$ 103,014**	$ 108,249
Other share investments - equity basis		**15,844**	24,792
		118,858	133,041
Portfolio Investments			
Cameco Corporation (b) 5,423,123 (1998 - 5,423,123) common shares	9.5%	**114,898**	114,898
Austar United Communications Limited (c) 13,659,574 (1998 - Nil) common shares	2.9%	**62,711**	-
HARO Financial Corporation (d) 68,000,000 (1998 - 68,000,000) Class B non-voting common shares		**68,000**	68,000
Other share investments - cost basis		**68,551**	63,019
		314,160	245,917
Bonds, Debentures, Loans and other Receivables			
HARO Financial Corporation (d)		**204,740**	353,977
Meadow Lake Pulp Loans (e)		**44,252**	41,505
Other bonds and debentures		**175,732**	169,595
Cornwall Centre Mortgages		**36,051**	36,890
Other loans and notes receivable		**48,147**	58,435
		508,922	660,402
Property Holdings		**88,451**	75,556
Leases Receivable		**6,544**	5,757
		$ 1,036,935	$ 1,120,673

3. Long-Term Investments (continued)

a) The Corporation owns all of the outstanding Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49% voting interest.

b) At December 31, 1999, the Corporation owns 5,423,123 voting common shares of Cameco Corporation (Cameco) representing a 9.5% (1998 - 9.4%) interest. Included in the investment in Cameco is one Class B share which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

c) On July 27, 1999, the Corporation divested its 35% position in Saturn Communications Limited. As consideration the Corporation received 13,659,574 shares of Austar United Communications Limited (Austar). The value of Austar was determined by the subscription price of Austar's initial public offering on the Australian Stock Exchange.

d) The Corporation has advanced in total $272.7 million (1998 - $272.5 million) to HARO Financial Corporation (HARO) since 1992 to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert $68.0 million of these advances into 68,000,000 non-voting, fully participating equity shares of HARO.

The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a second five-year term in 1998. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1%. For the second five-year term, the interest rate on the loan is 6.64% (1998 - 6.64%) compounded annually.

Security for the Term Loan is 100% of HARO's assets, which as of December 31, 1999 consist primarily of Crown Life shares. On January 1, 1999, The Canada Life Assurance Company acquired all of Crown Life's Canadian insurance business, substantially all of its non-Canadian reinsurance business as well as various international insurance operations. Although Crown Life's operations have significantly changed as a result of this transaction, it retained approximately $1.5 billion in assets, primarily North American mortgages and real estate, as well as certain U.S. insurance operations and Canadian reinsurance business. These assets and operations will continue to be managed by Crown Life out of Regina, Saskatchewan.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. It should be noted that HARO's only source of cash is dividends from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. Since HARO did not make interest payments to the Corporation during 1999, total interest deferred and owing increased to $136.0 million (1998 - $114.8 million).

3. Long-Term Investments (continued)

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to a maximum of 94% of HARO equity shares. The Corporation has a unilateral right, prior to December 15, 2017, to convert no less than 25% of the loan to either HARO non-voting, HARO voting or Crown Life shares. The number of Crown Life shares acquired by the Corporation may not exceed 94% of the Crown Life shares owned by HARO. Any conversion may be subject to regulatory approval.

The Corporation provided an additional $149.5 million to HARO in 1995 to purchase $74.8 million of each of Series A and Series B convertible Crown Life debentures. These debentures were retracted by Crown Life subsequent to the Canada Life transaction. HARO repaid the Additional Loan in full plus accrued interest of $4.2 million on January 12, 1999.

Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 94% of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or 94% of HARO's assets.

e) The Corporation owns a 50% joint venture interest in Meadow Lake Pulp Limited Partnership (MLPLP) located near Meadow Lake, Saskatchewan.

The Corporation has provided the following loans:

- Participating Debenture ($19.5 million) bears interest at 11.15% calculated on October 31 each year.
- Term Loan ($10.0 million) bears interest at prime plus 2%, which is 8.5% at December 31, 1999 (1998 - 8.75%). Interest on this loan is being paid monthly.
- Contingency Loan ($5.5 million) bears interest at prime plus 1%, which is 7.5% at December 31, 1999 (1998 - 7.75%). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee advance ($4.0 million) bears interest at a prime plus 1%, which is 7.5% at December 31, 1999 (1998 - 7.75%).
- Cash flow loan ($5.3 million) bears interest at prime plus 1% which is 7.5% at December 31, 1999 (1998 - 7.75%).

The Corporation records, as a separate loan (Interest Loan) the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15%, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

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3. Long-Term Investments (continued)

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after the joint venture has fully repaid an external bank loan.

If by October 31, 2014 less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 5.02% at December 31, 1999 (1998 - 4.95%), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

During the year, the Corporation continued to work with MLPLP's other major lender, the Canadian Imperial Bank of Commerce, to financially restructure MLPLP. This restructuring began in 1998 with the Corporation providing MLPLP an $8.0 million advance related to loan guarantees and $5.0 million to fund cash flow deficiencies. Interest on this Guarantee Advance and all Cash flow loans will be deferred until collection is reliably certain. Repayment terms will be determined once the financial restructuring of MLPLP is complete.

In 1999, the Corporation funded MLPLP cash flow deficiencies of $5.5 million. Other developments relating to the MLPLP financial restructuring include: an agreement between CIC and the CIBC obligating CIC to reduce MLPLP's bank loan to a level acceptable to the CIBC by May 31, 2000; and, a commitment by CIC to continue to fund any cash flow deficiencies encountered by MLPLP.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operation of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 1999. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

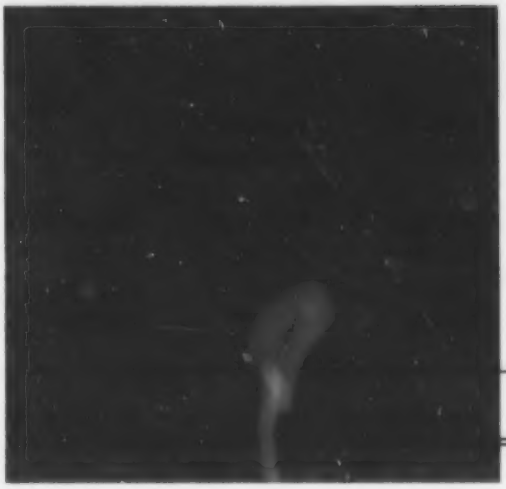
Due to uncertainty of cash flows from the joint venture, the Corporation's Participating Debenture is shown net of provision for loan losses of $60.0 million (1998 - $60.0 million).

f) Included in investment revenue are earnings (losses) from equity investments as follows (thousands of dollars):

	1998
Saskferco	$ 10,064
Other	1,023
	$ 11,087

4. Capital Assets

(thousands of dollars)



	1998 Net Book Value
Machinery & equipment	$ 4,099,970
Buildings & improvements	667,690
Land, coal properties & rights	124,021
Plant under construction	166,695
Deferred development costs	1,611
	$ 5,059,987

As at December 31, 1999, the Corporation has expended $278.1 million (1998 - $277.6 million) for construction of the Souris Basin project. This amount was expensed as a public policy expenditure since the expected revenue from this project is not sufficient to recover its cost.

5. Other Assets

(thousands of dollars)

	1998
Natural gas in storage	$ 88,223
Deferred financing charges	10,296
Deferred foreign exchange translation losses	209,495
Other deferred charges	89,502
	$ 397,516

6. Notes Payable

Notes payable are due to the GRF. These notes are due on demand and have an average interest rate of 4.97% (1998 - 5.23%).

3. Long-Term Investments (continued)

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after the joint venture has fully repaid an external bank loan.

If by October 31, 2014 less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 5.02% at December 31, 1999 (1998 - 4.95%), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

During the year, the Corporation continued to work with MLPLP's other major lender, the Canadian Imperial Bank of Commerce, to financially restructure MLPLP. This restructuring began in 1998 with the Corporation providing MLPLP an $8.0 million advance related to loan guarantees and $5.0 million to fund cash flow deficiencies. Interest on this Guarantee Advance and all Cash flow loans will be deferred until collection is reliably certain. Repayment terms will be determined once the financial restructuring of MLPLP is complete.

In 1999, the Corporation funded MLPLP cash flow deficiencies of $5.5 million. Other developments relating to the MLPLP financial restructuring include: an agreement between CIC and the CIBC obligating CIC to reduce MLPLP's bank loan to a level acceptable to the CIBC by May 31, 2000; and, a commitment by CIC to continue to fund any cash flow deficiencies encountered by MLPLP.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operation of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 1999. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

Due to uncertainty of cash flows from the joint venture, the Corporation's Participating Debenture is shown net of provision for loan losses of $60.0 million (1998 - $60.0 million).

f) Included in investment revenue are earnings (losses) from equity investments as follows (thousands of dollars):

	1999	1998
Saskferco	$ (2,191)	$ 10,064
Other	(666)	1,023
	$ (2,857)	$ 11,087

4. Capital Assets

(thousands of dollars)

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Machinery & equipment	$ 7,295,168	$ 3,189,229	$ 4,105,939	$ 4,099,970
Buildings & improvements	1,046,160	395,325	650,835	667,690
Land, coal properties & rights	163,668	49,977	113,691	124,021
Plant under construction	201,127	-	201,127	166,695
Deferred development costs	-	-	-	1,611
	$ 8,706,123	$ 3,634,531	$ 5,071,592	$ 5,059,987

As at December 31, 1999, the Corporation has expended $278.1 million (1998 - $277.6 million) for construction of the Souris Basin project. This amount was expensed as a public policy expenditure since the expected revenue from this project is not sufficient to recover its cost.

5. Other Assets

(thousands of dollars)

	1999	1998
Natural gas in storage	$ 88,465	$ 88,223
Deferred financing charges	11,030	10,296
Deferred foreign exchange translation losses	133,540	209,495
Other deferred charges	69,850	89,502
	$ 302,885	$ 397,516

6. Notes Payable

Notes payable are due to the GRF. These notes are due on demand and have an average interest rate of 4.97% (1998 - 5.23%).

7. Long-Term Debt

(thousands of dollars)

	1999			1998	
	Principal Outstanding		Average Interest Rate	Principal Outstanding	Average Interest Rate
Years to Maturity	U.S.	Canadian			
A. General Revenue Fund					
Canadian Dollar Issues					
1 – 5 years		$ 873,434	11.82	$ 899,835	11.28
6 – 10 years		750,301	9.61	832,926	10.07
11 – 15 years		6,796	8.05	48,672	9.34
16 – 20 years		28,513	6.81	5,081	8.13
21 – 25 years		255,000	9.60	365,000	9.39
26 – 30 years		310,000	6.80	100,000	7.25
		2,224,044		2,251,514	
United States Dollar Issues					
1 – 5 years	$ 50,000	72,165	6.63	76,665	6.63
6 – 10 years	194,000	280,000	7.13	297,460	7.13
11 – 15 years	75,000	108,248	7.38	114,998	7.38
16 – 20 years	-	-	-	-	-
20 – 25 years	400,000	577,320	9.08	613,320	9.08
	$ 719,000	1,037,733		1,102,443	
		3,261,777		3,353,957	
Less sinking fund balance		(462,050)		(430,633)	
Total due to GRF		2,799,727		2,923,324	
B. Other long-term debt					
Canadian Dollar Issues					
SaskTel TeleBonds		-	-	33,349	6.50
Other (due 2000 to 2013)		48,949	Various	81,109	Various
		48,949		114,458	
United States Dollar Issues					
Other (due 2000 to 2007)	$ 100,289	147,062	9.43	173,176	9.23
Total other long-term debt		196,011		287,634	
		2,995,738		3,210,958	
Less due within one year		(88,617)		(138,877)	
TOTAL LONG-TERM DEBT		$2,907,121		$3,072,081	

7. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1% to 3% of the original issue. These annual payments are invested with the GRF. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis.

Certain issues received from the GRF totalling $661.5 million (1998 - $661.5 million) are subject to redemption on six months notice by the lender.

Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

2000	**$ 94,214**
2001	**$ 112,341**
2002	**$ 57,080**
2003	**$ 340,359**
2004	**$ 145,496**

Long-term debt payable in United States dollars has been translated into Canadian dollars at a year-end exchange rate of 1.453 (1998 - 1.539).

8. Deferred Revenue and Other Liabilities

(thousands of dollars)

	1999	1998
Site restoration	**$ 215,260**	$ 200,749
Provision for unpaid insurance claims	**122,395**	113,054
Contributions in aid of construction	**85,509**	75,823
Other liabilities	**73,733**	74,152
Deferred income	**5,861**	6,150
	$ 502,758	$ 469,928

The establishment of site restoration costs and provision for unpaid claims is based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result the recorded amount of these liabilities could change by a material amount in the near term.

7. Long-Term Debt
(thousands of dollars)

	1998 Principal Outstanding	1998 Average Interest Rate
Years to Maturity		
A. General Revenue Fund		
Canadian Dollar Issues		
1 – 5 years	$ 899,835	11.28
6 – 10 years	832,926	10.07
11 – 15 years	48,672	9.34
16 – 20 years	5,081	8.13
21 – 25 years	365,000	9.39
26 – 30 years	100,000	7.25
	2,251,514	
United States Dollar Issues		
1 – 5 years	76,665	6.63
6 – 10 years	297,460	7.13
11 – 15 years	114,998	7.38
16 – 20 years	-	-
20 – 25 years	613,320	9.08
	1,102,443	
	3,353,957	
Less sinking fund balance	(430,633)	
Total due to GRF	2,923,324	
B. Other long-term debt		
Canadian Dollar Issues		
SaskTel TeleBonds	33,349	6.50
Other (due 2000 to 2013)	81,109	Various
	114,458	
United States Dollar Issues		
Other (due 2000 to 2007)	173,176	9.23
Total other long-term debt	287,634	
	3,210,958	
Less due within one year	(138,877)	
TOTAL LONG-TERM DEBT	$3,072,081	

7. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1% to 3% of the original issue. These annual payments are invested with the GRF. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis.

Certain issues received from the GRF totalling $661.5 million (1998 - $661.5 million) are subject to redemption on six months notice by the lender.

Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

2000	[illegible]
2001	[illegible]
2002	[illegible]
2003	[illegible]
2004	[illegible]

Long-term debt payable in United States dollars has been translated into Canadian dollars at a year-end exchange rate of 1.453 (1998 - 1.539).

8. Deferred Revenue and Other Liabilities

(thousands of dollars)

	1998
Site restoration	$ 200,749
Provision for unpaid insurance claims	113,054
Contributions in aid of construction	75,823
Other liabilities	74,152
Deferred income	6,150
	$ 469,928

The establishment of site restoration costs and provision for unpaid claims is based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result the recorded amount of these liabilities could change by a material amount in the near term.

9. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF. During 1999, the GRF redeemed $42.5 million (1998 - $42.5 million) in equity advances.

10. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 1999:

a) The Corporation has forward purchase commitments of $2,152.0 million (1998 - $1,696.0 million) for coal contracted for future minimum deliveries valued at current prices.

b) The Corporation has capital expenditure commitments amounting to $260.5 million (1998 - $245.0 million).

c) The Corporation has committed to provide $7.7 million (1998 - $13.2 million) in loans to certain Saskatchewan businesses.

d) In 1998, the Corporation signed a power purchase agreement expected to cost $2.0 billion over the 25 year term and provide approximately 210 megawatts of electrical power annually beginning in late 1999.

e) The Corporation has a contingent liability as endorser of certain promissory notes due in 2003 and 2004, arising from the sale of a dragline. In addition, there is a contingent liability for lease payments on certain leased mining equipment. The lease expires in 2004. The total amount of these contingencies is $59.0 million (1998 - $54.0 million).

f) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of $275.0 million. The fair value of the Corporation's guarantee is $94.6 million (1998 - $120.5 million).

g) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 1999, the GRF's guarantee does not exceed $360.0 million. The Corporation does not expect any exposure under this guarantee in 2000.

h) The Corporation has agreed to fund operating shortfalls of Meadow Lake Pulp Limited Partnership (MLPLP) until May 2000. The Corporation has also given assurances that arrangements will be made by May 2000 to reduce MLPLP's long-term bank loan from $109.2 million to an amount determined to be reasonable by the lender.

i) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

11. Interest Expense

(thousands of dollars)

	1998
Interest on long-term debt	$ 404,844
Amortization of foreign exchange gains and losses	4,466
Amortization of deferred financing costs	7,233
	416,543
Less:	
Sinking fund earnings	(49,311)
Interest capitalized	(2,924)
Loss (gain) on retirement of long-term debt	(2,691)
	(54,926)
Long-term debt interest expense	361,617
Short-term debt interest expense	5,463
	$ 367,080

Long-term interest paid during the year, on a cash basis, was $346.1 million.

12. Saskatchewan Taxes and Resource Payments

(thousands of dollars)

	1998
Oil, gas and coal royalties	$ 26,716
Grants in lieu of taxes to municipalities	25,549
Saskatchewan capital tax	23,060
Insurance premium tax	6,525
Other	2,007
	$ 83,857

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments. Saskatchewan Education and Health Taxes are recorded as part of the cost of all of the Corporation's taxable purchases.

11. Interest Expense

(thousands of dollars)

	1999	1998
Interest on long-term debt	$ 326,219	$ 404,844
Amortization of foreign exchange gains and losses	9,730	4,466
Amortization of deferred financing costs	2,905	7,233
	338,854	416,543
Less:		
Sinking fund earnings	(34,131)	(49,311)
Interest capitalized	(5,267)	(2,924)
Loss (gain) on retirement of long-term debt	5,696	(2,691)
	(33,702)	(54,926)
Long-term debt interest expense	305,152	361,617
Short-term debt interest expense	12,263	5,463
	$ 317,415	$ 367,080

Long-term interest paid during the year, on a cash basis, was $346.1 million.

12. Saskatchewan Taxes and Resource Payments

(thousands of dollars)

	1999	1998
Oil, gas and coal royalties	$ 21,949	$ 26,716
Grants in lieu of taxes to municipalities	18,413	25,549
Saskatchewan capital tax	24,298	23,060
Insurance premium tax	6,642	6,525
Other	3,998	2,007
	$ 75,300	$ 83,857

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments. Saskatchewan Education and Health Taxes are recorded as part of the cost of all of the Corporation's taxable purchases.

13. Non-Recurring Items

Non-recurring items include the following (thousands of dollars):

	1999	1998
Gain on sale of Saskfor MacMillan Limited Partnership (a)	$ 30,241	$ -
Gain on sale of Saturn Communications Limited (b)	39,003	-
Loss on bankruptcy of Lake Diefenbaker Potato Corporation	(5,175)	-
Gain on sale of Bi-Provincial Upgrader Joint Venture (c)	-	94,319
Gain on sale of Alouette Telecommunications Inc. shares	-	7,640
Gain on sale of NorSask Forest Products Inc. shares	-	5,583
Public policy expenditure	(186)	(97)
	$ 63,883	$ 107,445

a) Effective March 31, 1999, the Corporation, through its wholly-owned subsidiary CIC Forest Products Ltd., sold its 50% interest in Saskfor MacMillan Limited Partnership, a lumber and structural panel operation located in Hudson Bay, Saskatchewan to MacMillan Bloedel Ltd. This transaction provided net sales proceeds of $91.8 million, generating a gain on sale of $30.2 million.

b) On July 27, 1999, the Corporation divested of its 35% equity position in Saturn in return for 13,659,574 common shares of Austar. The value of Austar was determined by the subscription price of Austar's initial public offering on the Australian Stock Exchange. The Corporation's net interest in Austar of $62.7 million is $39.0 million more than its total investment in Saturn of $23.7 million.

c) On February 19, 1998, the Corporation sold its interest in the Bi-Provincial Upgrader Joint Venture for proceeds of $310.0 million, generating a gain on sale of $94.3 million. Sale proceeds were received in two equal instalments on February 19, 1998 and January 29, 1999.

14. Items Not Affecting Cash from Operations

(thousands of dollars)

	1999	1998
Amortization of capital assets	$ 379,917	$ 371,156
Sinking fund earnings	(34,131)	(49,311)
Non-recurring items	(63,883)	(107,445)
Other non-cash items	13,728	40,519
	$ 295,631	$ 254,919

13. Non-Recurring Items

Non-recurring items include the following (thousands of dollars):

	1998
Gain on sale of Saskfor MacMillan Limited Partnership (a)	$ -
Gain on sale of Saturn Communications Limited (b)	-
Loss on bankruptcy of Lake Diefenbaker Potato Corporation	-
Gain on sale of Bi-Provincial Upgrader Joint Venture (c)	94,319
Gain on sale of Alouette Telecommunications Inc. shares	7,640
Gain on sale of NorSask Forest Products Inc. shares	5,583
Public policy expenditure	(97)
	$ 107,445

a) Effective March 31, 1999, the Corporation, through its wholly-owned subsidiary CIC Forest Products Ltd., sold its 50% interest in Saskfor MacMillan Limited Partnership, a lumber and structural panel operation located in Hudson Bay, Saskatchewan to MacMillan Bloedel Ltd. This transaction provided net sales proceeds of $91.8 million, generating a gain on sale of $30.2 million.

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14. Items Not Affecting Cash from Operations

(thousands of dollars)

	1998
Amortization of capital assets	$ 371,156
Sinking fund earnings	(49,311)
Non-recurring items	(107,445)
Other non-cash items	40,519
	$ 254,919

15. Financial Instruments

The Corporation manages its exposure to risks of fluctuations in foreign currency exchange rates, interest rates and commodity prices by operating in a manner that minimizes its exposure to the extent practical, and through the use of derivative financial instruments and commodity contracts. Board of Directors' approval is required before entering into significant derivative financial instruments and commodity contracts.

a) Hedging transactions

The Corporation purchases natural gas for the purpose of resale. Approximately 68% (1998 - 74%) of annual purchases are made under long-term contracts with natural gas suppliers. These contracts are subject to annual price renegotiation. Prices may be fixed for a one-year period or referenced to a floating index price. In order to manage price volatility, hedges are used to fix gas prices with respect to underlying physical gas supply contracts. Natural gas purchase prices are hedged by using financial instruments.

As at December 31, the Corporation has entered into natural gas price swap contracts with counterparties to effectively manage an annually predetermined portion of its forecast system gas supply. The Corporation's hedging tools also include option and basis contracts with counterparties and futures contracts traded on the New York Mercantile Exchange. For those hedges denominated in United States dollars, the Corporation hedges against its foreign exchange risk through the use of forward contracts.

Amounts received or paid resulting from settlement of gas price hedging transactions are recognized as a component of the cost of gas sold.

The Corporation is exposed to possible credit losses in the event of non-performance by counterparties to natural gas price swap and option contracts. The Corporation mitigates this credit risk by:

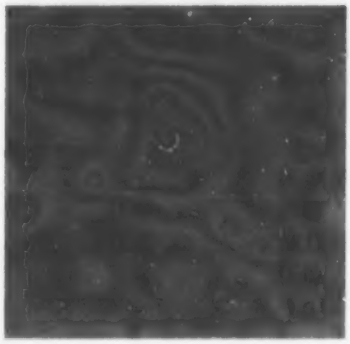
i) utilizing only counterparties with an A credit rating or better for at least 75% of notional volumes purchased and Baa rated counterparties to hedge up to 25% of gas purchase volumes provided such hedges do not extend beyond nine months from the transaction date; and
ii) limiting the notional gas volumes hedged to a maximum of 25% with any one counterparty.

During 1999, the Corporation entered into transactions with 13 different counterparties. The Corporation expects all swap and option obligations to be met.

The Corporation has entered into a number of forward start interest rate swaps to hedge its exposure to interest rate repricing on debt maturing between 2001 and 2003. The weighted average interest rate on these swaps is 6.76% on a notional principal of $130 million. The current interest rate on this debt is 12.25% (1998 - 12.25%).

15. Financial Instruments (continued)

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

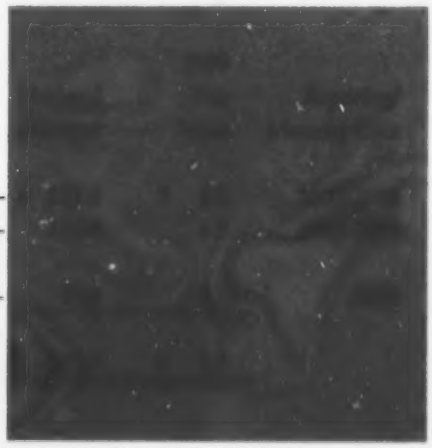


	1998	
	Carrying Amount	Fair Value
Natural gas price hedges:		
- swaps	$ -	$ (3.0)
- options	0.4	(2.6)
- futures	(0.4)	0.6
Foreign exchange	-	1.2
Delayed swaps	-	(8.6)

The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price in effect on December 31, 1999.
ii) Natural gas price options - The relevant index price in effect on December 31, 1999.
iii) Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 1999.
iv) Foreign exchange - The Bank of Canada exchange rate on December 31, 1999.
v) Interest rate hedges - The closing quotation from the counterparty as to the amount to settle the contract on December 31, 1999.

b) The Corporation has entered into contracts to manage its interest and foreign exchange rate exposures on long-term debt. Financial instruments are not used for trading or speculative purposes. The Corporation mitigates risk associated with these instruments through Board approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management. The following summarizes instruments held at each year end (millions of dollars):



	1998	
	Notional Principal	Fair Value
Coupon swaps	$ 225.0	$ 7.7
Cross currency swaps	57.0	4.9
Foreign exchange contracts	10.0	(0.1)
	$ 292.0	$ 12.5

15. Financial Instruments (continued)

i) Coupon swaps, cross currency swaps and foreign exchange contracts, are valued at December 31, 1999 market rates.

c) Fair value of financial instruments

The fair value of the Corporation's financial instruments is as follows (millions of dollars):

	1998	
	Carrying Amount	Fair Value
Long-term investments (d)	$ 571.4	$ 632.5
Sinking fund equity	430.6	478.7
Long-term debt	3,211.0	3,953.0

The fair values of the above instruments were based on the following:

i) Long-term investments

Share investments - Publicly traded share investments fair value is based on their final trade price per share on December 31, 1999 less estimated selling costs.

Bonds, debentures, loans, notes and mortgages receivable - The fair value of bonds, debentures, loans, notes and mortgages receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 1999 quoted market value.

15. Financial Instruments (continued)

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Natural gas price hedges:				
- swaps	$ -	$ (6.6)	$ -	$ (3.0)
- options	(1.4)	(0.2)	0.4	(2.6)
- futures	(1.0)	(0.1)	(0.4)	0.6
Foreign exchange	-	(1.0)	-	1.2
Delayed swaps	-	1.6	-	(8.6)

The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price in effect on December 31, 1999.
ii) Natural gas price options - The relevant index price in effect on December 31, 1999.
iii) Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 1999.
iv) Foreign exchange - The Bank of Canada exchange rate on December 31, 1999.
v) Interest rate hedges - The closing quotation from the counterparty as to the amount to settle the contract on December 31, 1999.

b) The Corporation has entered into contracts to manage its interest and foreign exchange rate exposures on long-term debt. Financial instruments are not used for trading or speculative purposes. The Corporation mitigates risk associated with these instruments through Board approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management. The following summarizes instruments held at each year end (millions of dollars):

	1999			1998	
	Notional Principal	Fair Value	Repricing/ Maturity Date	Notional Principal	Fair Value
Coupon swaps	$ 225.0	$ 0.8	2002-2003	$ 225.0	$ 7.7
Cross currency swaps	155.0	1.5	2003-2008	57.0	4.9
Foreign exchange contracts	13.0	(0.1)	2000	10.0	(0.1)
	$ 393.0	$ 2.2		$ 292.0	$ 12.5

15. Financial Instruments (continued)

i) Coupon swaps, cross currency swaps and foreign exchange contracts, are valued at December 31, 1999 market rates.

c) Fair value of financial instruments

The fair value of the Corporation's financial instruments is as follows (millions of dollars):

	1999		1998	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term investments (d) ------	**$ 483.7**	**$ 529.5**	$ 571.4	$ 632.5
Sinking fund equity----------	**462.1**	**466.2**	430.6	478.7
Long-term debt----------	**2,995.7**	**3,379.7**	3,211.0	3,953.0

The fair values of the above instruments were based on the following:

i) Long-term investments
Share investments - Publicly traded share investments fair value is based on their final trade price per share on December 31, 1999 less estimated selling costs.

Bonds, debentures, loans, notes and mortgages receivable - The fair value of bonds, debentures, loans, notes and mortgages receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Sinking fund equity
The fair value of the investments held in the sinking fund is based on their December 31, 1999 quoted market value.

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15. Financial Instruments (continued)

iii) Long-term debt
The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

d) The Corporation has not attempted to determine the fair value of its investments in its equity holdings ($118.9 million), non-publicly traded common shares ($84.5 million), property holdings ($88.5 million), leases receivable ($6.5 million), or certain loans ($254.8 million) due to the costs associated with this type of valuation.

Included in the above amounts are $272.7 million of assets held with HARO, and secured by HARO's interest in Crown Life. Crown Life has approximately $507 million in net assets subsequent to its sale of its Canadian insurance business to The Canada Life Assurance Company. Since this sale significantly changed Crown Life's business and the industry in which it operates, it is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

e) Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation does not have a significant credit exposure to any individual customer. For 1999, credit losses were insignificant.

16. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

2000 ----------
2001 ----------
2002 ----------
2003 ----------
2004 ----------
Thereafter ----------

17. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

17. Related Party Transactions (continued)

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

	1998
Accounts receivable	$ 8.7
Accounts payable and accrued liabilities	16.8
Sales of products and services	69.0
Operating costs	112.0

During 1999, the Corporation received $12.2 million (1998 - $9.3 million) in grants from the GRF.

As at December 31, 1999, Nil (1998 - $3.0 million) is invested with the GRF, at negotiated rates, and is included in short-term investments.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

18. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Meadow Lake Pulp Mill Limited Partnership, and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows (thousands of dollars):

	1998
Current assets	$ 65,499
Long-term assets	241,316
Current liabilities	81,112
Long-term liabilities	208,282
Equity	17,421
Revenue	282,987
Expenses	293,150
Net loss	(10,163)
Cash (used in) provided by operating activities	16,565
Cash (used in) provided by financing activities	4,853
Cash provided by (used in) investing activities	(20,139)

15. Financial Instruments (continued)

iii) Long-term debt
The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

d) The Corporation has not attempted to determine the fair value of its investments in its equity holdings ($118.9 million), non-publicly traded common shares ($84.5 million), property holdings ($88.5 million), leases receivable ($6.5 million), or certain loans ($254.8 million) due to the costs associated with this type of valuation.

Included in the above amounts are $272.7 million of assets held with HARO, and secured by HARO's interest in Crown Life. Crown Life has approximately $507 million in net assets subsequent to its sale of its Canadian insurance business to The Canada Life Assurance Company. Since this sale significantly changed Crown Life's business and the industry in which it operates, it is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

e) Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation does not have a significant credit exposure to any individual customer. For 1999, credit losses were insignificant.

16. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

2000	$ 26,056
2001	26,189
2002	26,123
2003	24,580
2004	23,327
Thereafter	6,681
	$ 132,956

17. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

17. Related Party Transactions (continued)

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

	1999	1998
Accounts receivable	$ 5.9	$ 8.7
Accounts payable and accrued liabilities	10.0	16.8
Sales of products and services	92.2	69.0
Operating costs	96.9	112.0

During 1999, the Corporation received $12.2 million (1998 - $9.3 million) in grants from the GRF.

As at December 31, 1999, Nil (1998 - $3.0 million) is invested with the GRF, at negotiated rates, and is included in short-term investments.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

18. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Meadow Lake Pulp Mill Limited Partnership, and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows (thousands of dollars):

	1999	1998
Current assets	$ 99,414	$ 65,499
Long-term assets	219,951	241,316
Current liabilities	129,612	81,112
Long-term liabilities	174,644	208,282
Equity	15,109	17,421
Revenue	305,251	282,987
Expenses	312,389	293,150
Net loss	(7,138)	(10,163)
Cash (used in) provided by operating activities	(1,011)	16,565
Cash (used in) provided by financing activities	(1,407)	4,853
Cash provided by (used in) investing activities	523	(20,139)

19. Pensions

Substantially all employees of the Corporation are participants in either defined contribution or defined benefit pension plans.

The Corporation's responsibility to the defined contribution plans is limited to making regular payments into the plans to match the required amounts contributed by employees for current service.

Based on the latest actuarial valuations, the fair value of the defined benefit pension funds' assets is $1,528.2 million (1998 - $1,430.1 million) which exceeds the present value of the accrued pension benefits of the defined benefit pension plans of $1,301.0 million (1998 - $1,245.0 million) by $227.2 million (1998 - $185.1 million). The actuarial present value of the accrued pension benefits is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. This estimate therefore involves risks that the actual amount may differ materially from the estimate.

20. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

21. Comparative Figures

Certain of the 1998 comparative figures have been reclassified to conform with current year's presentation.

Crown Investments Corporation of Saskatchewan (Non-Consolidated)

CIC is the provincial government's holding company for its commercial Crowns and CIC III. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability. CIC also holds the Province's investment in Cameco and NewGrade.

This narrative on CIC's non-consolidated 1999 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

Results of Operations

Earnings for 1999 were $129.0 million (1998 - $174.9 million). The $45.9 million decrease was largely due to lower dividend revenue, partly offset by a reduction in operating and net interest expenses.

Revenues for the year were $162.5 million (1998 - $242.2 million). The $79.7 million decrease was mainly the result of lower dividends from subsidiaries, offset partly by higher interest revenue.

Dividend revenue was $155.3 million (1998 - $239.1 million). The $83.8 million decrease was due to lower dividends from CIC III and from subsidiary Crown corporations. In 1998, CIC received a $60.0 million dividend from CIC III resulting from the sale of its investment in Bi-Provincial.

Dividends from subsidiary Crown corporations were down $23.8 million from 1998. SaskPower's earnings and dividends to CIC for 1999 decreased primarily as a result of rising fuel costs, non-recurring items and higher wage expenses, partly offset by higher export sales. SGI's earnings and dividends to CIC decreased largely due to lower investment earnings, coupled with higher claims costs associated with summer storms, fires and adverse developments on prior year claims. SaskEnergy's earnings and dividends were essentially at the same level as in 1998. Despite lower earnings, SaskTel's dividend to CIC increased as a result of reaching its target capital structure, as measured by its debt ratio. Under CIC's dividend policy, once a Crown has achieved its target capital structure, it allocates cash profits required to fund sustaining and new investment and pays the remainder to CIC as dividends (to a maximum of 90 per cent of net earnings).

Expenses were $29.5 million (1998 - $64.7 million). The $35.2 million decline was mainly due to lower operating and interest expenses. Interest expense of $20.5 million (1998 - $54.3 million) declined $33.8 million as a result of lower debt. Operating expenses were $8.9 million (1998 - $10.2 million).

CIC also provided $4.0 million in grants to STC in 1999 (1998 - $2.7 million). $2.0 million was as an operating grant (1998 - $2.5 million). $2.0 million was as a capital grant (1998 - $0.2 million).

Debt at year end was $61.2 million (1998 - $217.7 million), a reduction of $156.5 million or 72 per cent. Debt fell due to sinking fund contributions arising from non-interest bearing advance repayments from CIC III, and sinking fund earnings.

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Liquidity and Capital Resources

Cash Flow Highlights

(millions of dollars)

	1999	1998
Cash from Operations	$ 118.8	$ 268.5
Net Proceeds from Investments	383.2	110.9
Dividends Paid	(150.0)	(100.0)
Equity Advances Repaid	(42.5)	(42.5)
Debt Repaid (net of sinking fund redemptions)	(150.1)	(203.3)
Increase in Cash	$ 159.4	$ 33.6

Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

Operating, Investing and Financing Activities

Cash from operations was $118.8 million (1998 - $268.5 million). The $149.7 million decrease was primarily due to lower net earnings and the impact in 1998 of beginning to receive dividends from commercial Crown subsidiaries (i.e., SaskPower, SaskTel, SaskEnergy and SGI) on a quarterly basis, consistent with private sector practice. Previously, dividends from Crown subsidiaries were paid once a year on March 31 following each subsidiary's December 31 year end.

Cash provided by investing activities was $383.2 million (1998 - $110.9 million). The primary reasons for the $272.3 million increase were higher repayments of non-interest bearing advances from CIC III ($401.7 million in 1999 compared to $111.1 million in 1998), partly offset by an $18.4 million repayable advance to NewGrade (1998 - nil), as CIC's required shareholder contribution for NewGrade's cash deficiency funding. Higher repayments of non-interest bearing advances from CIC III primarily reflected HARO's $149.5 million loan repayment as well as the $91.8 million in net sales proceeds received on the sale of SMLP.

Cash used in financing activities was $342.6 million (1998 - $345.8 million). The $3.2 million decrease was mainly due to lower debt reduction, offset partly by higher dividends paid to the GRF. In 1999, CIC paid a dividend of $100.0 million (1998 - $50.0 million) to the GRF based on the previous year's regular net earnings. CIC also paid its second $50.0 million instalment (1998 - $50.0 million) to the GRF on the $100.0 million special dividend related to the sale of Bi-Provincial in 1998, and made a $42.5 million equity advance repayment to the GRF (1998 - $42.5 million).

Debt Management

CIC has borrowed at the holding company level to fund certain investments held by CIC and CIC III. In 1999, CIC reduced its debt to maintain it at a self-supporting level of $61.2 million (1998 - $217.7 million). Debt is characterized as self-supporting when there is a high degree of certainty that the amount and timing of the cash flows from the related investment can service and retire the associated debt at maturity. CIC's self-supporting debt level will change according to the composition of its investment portfolio as new investments are made and existing investments sold.

In 2000, CIC expects to fund its cash requirements (i.e., dividends to the GRF, investments, operating and interest expenditures) with internally generated cash. CIC does not expect to borrow from the GRF in 2000.

Liquidity and Capital Resources

Cash Flow Highlights
(millions of dollars)

	1998
Cash from Operations	$ 268.5
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Dividends Paid	(100.0)
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CIC has borrowed at the holding company level to fund certain investments held by CIC and CIC III. In 1999, CIC reduced its debt to maintain it at a self-supporting level of $61.2 million (1998 - $217.7 million). Debt is characterized as self-supporting when there is a high degree of certainty that the amount and timing of the cash flows from the related investment can service and retire the associated debt at maturity. CIC's self-supporting debt level will change according to the composition of its investment portfolio as new investments are made and existing investments sold.

In 2000, CIC expects to fund its cash requirements (i.e., dividends to the GRF, investments, operating and interest expenditures) with internally generated cash. CIC does not expect to borrow from the GRF in 2000.

Crown Investments Corporation of Saskatchewan (Non-Consolidated)

Outlook and Key Factors Affecting Performance

The key factors affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and interest expense. Also affecting CIC's earnings are items attributable to its investments.

Factors affecting the level of dividends from subsidiary Crowns include the level of their cash profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating its cash profits for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2000 to be higher than in 1999.

Interest expense is determined by CIC's level of debt and by the investment earnings of its sinking funds, which are offset against interest expense. CIC does not have any debt maturing in 2000, but expects interest expense to be lower in 2000 than in 1999 as a result of the investment earnings generated on its sinking funds.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors has delegated certain of the responsibilities to its Audit Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

The Provincial Auditor of Saskatchewan has audited the Non-Consolidated Financial Statements. His report to the Members of the Legislative Assembly, stating the scope of his examination and opinion on the Non-Consolidated Financial Statements, appears opposite.

Frank Hart
President and CEO

Sheldon Schwartz, CFA
Chief Financial Officer

March 10, 2000

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 1999 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles except that they are prepared on a non-consolidated basis and use the cost method to account for investments that would normally be accounted for by the equity method as explained in Note 1.

Regina, Saskatchewan
March 10, 2000

Wayne Strelioff, CA
Provincial Auditor

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Financial Position

As at December 31
(thousands of dollars)

	1998
ASSETS	
Cash and short-term investments	$ 38,323
Interest and accounts receivable	70
Dividends receivable	37,316
Equity advances to Crown corporations (Note 3)	1,038,382
Investments in share capital corporations (Note 4)	851,453
Other assets (Note 5)	1,689
	$ 1,967,233
LIABILITIES AND PROVINCE'S EQUITY	
Interest and accounts payable	$ 9,760
Dividend payable to General Revenue Fund	150,000
Long-term debt (Note 6)	217,723
	377,483
Province of Saskatchewan's Equity	
Equity advances (Note 7)	1,404,952
Reinvested earnings	184,798
	1,589,750
	$ 1,967,233

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Director

Director

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Financial Position

As at December 31

(thousands of dollars)

	1999	1998
ASSETS		
Cash and short-term investments	$ 197,702	$ 38,323
Interest and accounts receivable	93	70
Dividends receivable	39,521	37,316
Equity advances to Crown corporations (Note 3)	1,038,382	1,038,382
Investments in share capital corporations (Note 4)	468,176	851,453
Other assets (Note 5)	968	1,689
	$ 1,744,842	$ 1,967,233
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	$ 7,322	$ 9,760
Dividend payable to General Revenue Fund	125,000	150,000
Long-term debt (Note 6)	61,236	217,723
	193,558	377,483
Province of Saskatchewan's Equity		
Equity advances (Note 7)	1,362,452	1,404,952
Reinvested earnings	188,832	184,798
	1,551,284	1,589,750
	$ 1,744,842	$ 1,967,233

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Director

Director

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31

(thousands of dollars)

	1999	1998
REVENUE		
Dividend (Note 9)	$ 155,342	$ 239,102
Interest	6,919	2,319
Other	249	826
	162,510	242,247
EXPENSES		
Interest	20,451	54,328
General, administrative and other	8,903	10,178
Amortization of capital assets	142	152
	29,496	64,658
Earnings before the following	133,014	177,589
Grants to Saskatchewan Transportation Company	(3,980)	(2,697)
NET EARNINGS	129,034	174,892
REINVESTED EARNINGS, BEGINNING OF YEAR	184,798	209,906
	313,832	384,798
DIVIDEND TO GENERAL REVENUE FUND	125,000	200,000
REINVESTED EARNINGS, END OF YEAR	$ 188,832	$ 184,798

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)

	1999	1998
OPERATING ACTIVITIES		
Net earnings	**$ 129,034**	$ 174,892
Add (deduct) non-cash items:		
Amortization	**142**	152
Sinking fund earnings	**(6,412)**	(10,648)
Other non-cash items	**711**	5,112
	123,475	169,508
Net change in non-cash working capital balances related to operations (Note 10)	**(4,666)**	98,967
Cash provided by operating activities	**118,809**	268,475
INVESTING ACTIVITIES		
Purchase of investments	**(18,421)**	-
Proceeds from sales and collections of investments	**401,698**	111,064
Purchase of capital assets	**(132)**	(174)
Proceeds on disposal of capital assets	**-**	10
Cash provided by investing activities	**383,145**	110,900
FINANCING ACTIVITIES		
Long-term debt repayments	**(25,000)**	(449,739)
Sinking fund instalments	**(149,500)**	(30,600)
Sinking fund redemptions	**24,425**	277,043
Dividends paid to General Revenue Fund	**(150,000)**	(100,000)
Equity advance repayment to General Revenue Fund	**(42,500)**	(42,500)
Cash used in financing activities	**(342,575)**	(345,796)
NET INCREASE IN CASH DURING YEAR	**159,379**	33,579
CASH POSITION, BEGINNING OF YEAR	**38,323**	4,744
CASH POSITION, END OF YEAR	**$ 197,702**	$ 38,323

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31

(thousands of dollars)

	1998
REVENUE	
Dividend (Note 9)	$ 239,102
Interest	2,319
Other	826
	242,247
EXPENSES	
Interest	54,328
General, administrative and other	10,178
Amortization of capital assets	152
	64,658
Earnings before the following	177,589
Grants to Saskatchewan Transportation Company	(2,697)
NET EARNINGS	174,892
REINVESTED EARNINGS, BEGINNING OF YEAR	209,906
	384,798
DIVIDEND TO GENERAL REVENUE FUND	200,000
REINVESTED EARNINGS, END OF YEAR	$ 184,798

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	1998
OPERATING ACTIVITIES	
Net earnings	$ 174,892
Add (deduct) non-cash items:	
Amortization	152
Sinking fund earnings	(10,648)
Other non-cash items	5,112
	169,508
Net change in non-cash working capital balances related to operations (Note 10)	98,967
Cash provided by operating activities	268,475
INVESTING ACTIVITIES	
Purchase of investments	-
Proceeds from sales and collections of investments	111,064
Purchase of capital assets	(174)
Proceeds on disposal of capital assets	10
Cash provided by investing activities	110,900
FINANCING ACTIVITIES	
Long-term debt repayments	(449,739)
Sinking fund instalments	(30,600)
Sinking fund redemptions	277,043
Dividends paid to General Revenue Fund	(100,000)
Equity advance repayment to General Revenue Fund	(42,500)
Cash used in financing activities	(345,796)
NET INCREASE IN CASH DURING YEAR	33,579
CASH POSITION, BEGINNING OF YEAR	4,744
CASH POSITION, END OF YEAR	$ 38,323

(See accompanying notes)

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These financial statements are prepared on a non-consolidated basis for the specific purpose of illustrating the financial position and results of operations of the corporate entity only. For further information, readers should refer to the Crown Investments Corporation of Saskatchewan (CIC) consolidated financial statements. The consolidated financial statements include the accounts of CIC, the subsidiary Crown corporations listed in Note 2, CIC Industrial Interests Inc., a wholly-owned share capital subsidiary, and the proportionate shares of jointly controlled enterprises.

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, seven Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when receivable.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether or not joint control exists, or there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Where there has been a decline in any other investment it is written down to its fair value. Dividends from these share investments are recognized as income when receivable.

d) Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Capital assets are amortized over their estimated useful lives using the declining balance method at rates of 20% to 30% a year.

1. Summary of Significant Accounting Policies (continued)

e) Deferred charges

Costs and discounts incurred on the issue of long-term debt are recorded at cost less accumulated amortization. These deferred charges are amortized over the term of the related debt on a straight-line basis.

f) Fair Value disclosure of short-term financial instruments

For certain of CIC's financial instruments including:

i) cash and short-term investments
ii) interest and accounts receivable
iii) dividends receivable
iv) interest and accounts payable
v) dividend payable to the General Revenue Fund

the carrying amounts approximate fair value due to their immediate or short-term maturity.

g) Cash position

Cash position includes cash held within the Corporation's bank account and short-term investments which mature on or before January 28, 2000.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order-in-Council 535/47 dated April 2, 1947, and was continued under the provisions of **The Crown Corporations Act, 1993**, as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is subject to neither Federal nor Provincial income tax.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order-in-Council:

SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Forest Products Corporation (a)
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

a) Saskatchewan Forest Products Corporation was wound-up pursuant to Order-In-Council 736/1999, which came into force on December 31, 1999.

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3. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows (thousands of dollars):

	1998
Saskatchewan Power Corporation	$ 660,000
Saskatchewan Telecommunications	250,000
SaskEnergy Incorporated	71,531
Saskatchewan Government Insurance	55,000
Saskatchewan Development Fund Corporation	1,150
Saskatchewan Water Corporation	700
Saskatchewan Government Growth Fund Management Corporation	1
	$ 1,038,382

4. Investments in Share Capital Corporations

(thousands of dollars)

	Voting Percentage	1998
CIC Industrial Interests Inc. (a):		
34,000,000 common shares	100%	$ 340,000
Due to CIC		563,592
		903,592
NewGrade Energy Inc. (b):		
100 Class Y voting participating common shares	50%	50,001
Promissory notes		9,568
		59,569
Cameco Corporation (c):		
5,420,567 common shares	9.5%	100,586
		1,063,747
Less: Write down of investments:		
CIC Industrial Interests Inc.		(152,725)
NewGrade Energy Inc.		(59,569)
		$ 851,453

4. Investments in Share Capital Corporations (continued)

a) Amounts due to CIC are non-interest bearing and repayable on demand.

b) CIC owns 50% of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation. CIC also holds certain promissory notes due on demand from NewGrade, and bear interest at Bank of Montreal prime rate, which is 6.50% (1998 - 6.75%).

In addition, should there be any operating shortfall at the end of any year, CIC will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls then CIC will loan NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40 million outstanding at any time.

During 1999 CIC provided $18.4 million to NewGrade under these facilities.

c) Included in the investment in Cameco is one Class B share which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

The fair value of Cameco shares was calculated on the last trade value on December 31, 1999 less estimated costs of disposition. The fair value of these shares is $114.2 million (1998 - $142.8 million).

d) The securities of CIC Industrial Interests Inc. and NewGrade are not publicly traded and therefore have no quoted market value.

5. Other Assets

(thousands of dollars)

	1998 Net Book Value
Deferred charges	$ 1,243
Capital assets	446
	$ 1,689

3. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows (thousands of dollars):

	1999	1998
Saskatchewan Power Corporation	$ 660,000	$ 660,000
Saskatchewan Telecommunications	250,000	250,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Government Insurance	55,000	55,000
Saskatchewan Development Fund Corporation	1,150	1,150
Saskatchewan Water Corporation	700	700
Saskatchewan Government Growth Fund Management Corporation	1	1
	$ 1,038,382	$ 1,038,382

4. Investments in Share Capital Corporations

(thousands of dollars)

	Voting Percentage	1999	1998
CIC Industrial Interests Inc. (a):			
34,000,000 common shares	100%	$ 340,000	$ 340,000
Due to CIC		161,894	563,592
		501,894	903,592
NewGrade Energy Inc. (b):			
100 Class Y voting participating common shares	50%	50,001	50,001
Promissory notes		27,989	9,568
		77,990	59,569
Cameco Corporation (c):			
5,420,567 common shares	9.5%	100,586	100,586
		680,470	1,063,747
Less: Write down of investments:			
CIC Industrial Interests Inc.		(152,725)	(152,725)
NewGrade Energy Inc.		(59,569)	(59,569)
		$ 468,176	$ 851,453

4. Investments in Share Capital Corporations (continued)

a) Amounts due to CIC are non-interest bearing and repayable on demand.

b) CIC owns 50% of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation. CIC also holds certain promissory notes due on demand from NewGrade, and bear interest at Bank of Montreal prime rate, which is 6.50% (1998 - 6.75%).

In addition, should there be any operating shortfall at the end of any year, CIC will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls then CIC will loan NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40 million outstanding at any time.

During 1999 CIC provided $18.4 million to NewGrade under these facilities.

c) Included in the investment in Cameco is one Class B share which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

The fair value of Cameco shares was calculated on the last trade value on December 31, 1999 less estimated costs of disposition. The fair value of these shares is $114.2 million (1998 - $142.8 million).

d) The securities of CIC Industrial Interests Inc. and NewGrade are not publicly traded and therefore have no quoted market value.

5. Other Assets

(thousands of dollars)

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Deferred charges	$ 9,402	$ 8,870	$ 532	$ 1,243
Capital assets	2,082	1,646	436	446
	$ 11,484	$ 10,516	$ 968	$ 1,689

6. Long-term Debt

(thousands of dollars)

Maturity Date	Interest Rate	1999	1998
July 6, 1999	9.875	$ -	$ 25,000
June 1, 2001	8.750	101,168	101,168
February 12, 2003	9.055	154,108	154,108
June 2, 2006	9.620	10,000	10,000
July 10, 2007	9.830	4,000	4,000
March 3, 2008	9.620	3,000	3,000
August 10, 2008	10.060	3,919	3,919
		276,195	301,195
Less: Sinking Funds		214,959	83,472
		$ 61,236	$ 217,723

a) The above noted long-term debt is payable to the General Revenue Fund. Sinking funds invested with the General Revenue Fund are used for the retirement of debt issues and are settled with the General Revenue Fund on a net basis.

b) Gross long-term debt due in one year totals Nil (1998 - $25.0 million).

c) Certain issues totalling $20.9 million (1998 - $20.9 million) are subject to redemption on six months notice by the lender.

d) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

2000	$ -
2001	$ 20,915
2002	$ -
2003	$ 19,402
2004	$ -

6. Long-term Debt

(thousands of dollars)

Maturity Date	Interest Rate	1998
July 6, 1999	9.875	$ 25,000
June 1, 2001	8.750	101,168
February 12, 2003	9.055	154,108
June 2, 2006	9.620	10,000
July 10, 2007	9.830	4,000
March 3, 2008	9.620	3,000
August 10, 2008	10.060	3,919
		301,195
Less: Sinking Funds		83,472
		$ 217,723

a) The above noted long-term debt is payable to the General Revenue Fund. Sinking funds invested with the General Revenue Fund are used for the retirement of debt issues and are settled with the General Revenue Fund on a net basis.

b) Gross long-term debt due in one year totals Nil (1998 - $25.0 million).

c) Certain issues totalling $20.9 million (1998 - $20.9 million) are subject to redemption on six months notice by the lender.

d) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

2000	
2001	
2002	
2003	
2004	

6. Long-term Debt (continued)

e) The fair value of borrowed funds is determined by discounting the future cash flows at borrowing rates presently available to CIC for loans with similar terms and remaining maturity, less costs of settlement. The fair value of long-term debt is $295.0 million (1998 - $339.6 million).

f) Total interest paid on long-term debt during 1999, on a cash basis, was $27.3 million (1998 - $76.3 million).

g) The fair value of securities held in the sinking funds are based on their December 31, 1999 quoted value. The fair value of sinking funds is $210.9 million (1998 - $83.7 million).

7. Equity Advances

CIC does not have share capital. However, CIC has received advances from the General Revenue Fund (GRF) to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During 1999 the GRF redeemed $42.5 million in equity advances.

8. Commitments and Contingencies

a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the General Revenue Fund. At December 31, 1999, the General Revenue Fund's guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 2000.

b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of $275.0 million. The fair value of the guarantee is $94.6 million (1998 - $120.5 million).

c) CIC has agreed to fund operating shortfalls of Meadow Lake Pulp Limited Partnership (MLPLP) until May 2000. CIC has also given assurances that arrangements will be made by May 2000 to reduce MLPLP's long-term bank loan from $109.2 million to an amount determined to be reasonable by the lender. To December 31, 1999 CIC has provided $10.5 million (1998 - $5.0 million) under this facility.

d) CIC has guaranteed the return on annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2000.

9. Dividend Revenue

Dividend revenue consists of the following (thousands of dollars):

	1998
Saskatchewan Power Corporation	$ 77,217
Saskatchewan Telecommunications Holding Corporation	51,259
SaskEnergy Incorporated	19,943
Saskatchewan Government Insurance	27,973
CIC Industrial Interests Inc.	60,000
Cameco Corporation	2,710
	$ 239,102

10. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)

	1998
(Increase) decrease in interest and accounts receivable	$ 139
(Increase) decrease in dividends receivable	116,170
Decrease in interest and accounts payable	(17,342)
	$ 98,967

11. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows (thousands of dollars):

	1998
Category (as per financial statements)	
Interest and accounts receivable	$ 16
Interest and accounts payable	7,854
General, administrative and other expenses	280

In addition, CIC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Industrial Interests Inc. without charge.

These non-consolidated financial statements and the notes thereto, separately describe other transactions and amounts due to and from related parties and the terms of settlement.

12. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 1999 exceed the actuarially determined net present value of retirement annuities payable.

13. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to investees, suppliers, or other third parties, have been fully resolved.

9. Dividend Revenue

Dividend revenue consists of the following (thousands of dollars):

	1999	1998
Saskatchewan Power Corporation	$ 62,635	$ 77,217
Saskatchewan Telecommunications Holding Corporation	60,770	51,259
SaskEnergy Incorporated	20,129	19,943
Saskatchewan Government Insurance	9,098	27,973
CIC Industrial Interests Inc.	-	60,000
Cameco Corporation	2,710	2,710
	$ 155,342	$ 239,102

10. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)

	1999	1998
(Increase) decrease in interest and accounts receivable	$ (23)	$ 139
(Increase) decrease in dividends receivable	(2,205)	116,170
Decrease in interest and accounts payable	(2,438)	(17,342)
	$ (4,666)	$ 98,967

11. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows (thousands of dollars):

	1999	1998
Category (as per financial statements)		
Interest and accounts receivable	$ 24	$ 16
Interest and accounts payable	6,644	7,854
General, administrative and other expenses	239	280

In addition, CIC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Industrial Interests Inc. without charge.

These non-consolidated financial statements and the notes thereto, separately describe other transactions and amounts due to and from related parties and the terms of settlement.

12. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 1999 exceed the actuarially determined net present value of retirement annuities payable.

13. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to investees, suppliers, or other third parties, have been fully resolved.

CIC Industrial Interests Inc. (Non-Consolidated)

CIC Industrial Interests Inc. (CIC III) was incorporated in 1979 under **The Business Corporations Act (Saskatchewan)** as a wholly-owned subsidiary of CIC. CIC III was created as a vehicle to hold certain investments of a commercial nature which involve some degree of private ownership.

This narrative on CIC III's non-consolidated 1999 financial results should be read in conjunction with the audited non-consolidated financial statements.

Results of Operations

Earnings for 1999 were $43.3 million (1998 - $90.2 million). Excluding gains realized on the sale of investments, CIC III's earnings from ongoing operations were $12.7 million (1998 - $4.4 million loss). The $17.1 million improvement was primarily due to a lower provision for investment losses, partly offset by lower interest revenue and earnings from equity investments.

Gains on the sale of investments of $30.6 million (1998 - $94.5 million) were primarily related to the sale of SMLP to MacMillan Bloedel Ltd. effective March 31, 1999. CIC III, through its wholly-owned subsidiary CIC Forest Products Inc., sold its 50 per cent interest in SMLP for net proceeds of $91.8 million and a gain of $30.2 million. The $94.5 million gain on sale of investments in 1998 arose from CIC III's divestiture of its interest in Bi-Provincial to Husky Oil Operations Ltd. Net proceeds from sales of CIC III assets are applied to reduce non-interest bearing advances from CIC.

Revenue from ongoing operations was $14.7 million (1998 - $28.9 million). Lower interest income and earnings from equity investments accounted for the majority of the $14.2 million decrease. Interest revenue totalled $6.9 million in 1999 (1998 - $16.3 million). The $9.4 million decrease was mainly due to HARO's repayment of a $149.5 million loan. This loan generated interest income of $9.0 million in 1998. Earnings from equity investments were $6.9 million (1998 - $11.2 million). The $4.3 million decrease reflects the sale of Bi-Provincial and SMLP, along with equity losses from WCBP and Saskferco. Offsetting these in part were equity earnings of $10.6 million from CIC III's 50 per cent interest in MLPLP, compared to equity losses of $16.6 million in 1998.

Expenses in 1999 were $2.0 million (1998 - $33.3 million). This $31.3 million decrease was due to a lower provision for investment losses. CIC III's 1999 provision of $1.2 million included a $2.5 million loss provision against the WCBP loan offset by a $1.3 million recovery relating to other miscellaneous loans. The 1998 provision of $32.4 million was primarily related to a reduction in the carrying value of the MLPLP loans.

CIC III used the HARO loan repayment, SMLP and Bi-Provincial sale proceeds along with cash flow from dividends, properties, loans and debentures to repay $401.7 million (1998 - $111.1 million) of advances to CIC during the year. CIC's non-interest bearing advances to CIC III declined to $161.9 million as at December 31, 1999 (1998 - $563.6 million), a 71 per cent reduction.

M121

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Liquidity and Capital Resources

Cash Flow Highlights
(millions of dollars)

	1999	1998
Cash from Operations	$ 13.8	$ 18.6
Net Proceeds from Investments	387.9	152.5
Dividend Paid	-	(60.0)
Debt Reduction	(401.7)	(111.1)
Increase in Cash	$ -	$ -

Liquidity
CIC III finances its capital requirements through internally generated cash flow and non-interest bearing advances from CIC.

Operating, Investing and Financing Activities
Cash provided by operations was $13.8 million (1998 - $18.6 million). This $4.8 million decrease was primarily due to lower earnings and hence cash flow from ongoing operations, partly offset by a reduction in working capital.

Cash provided by investing activities was $387.9 million (1998 - $152.5 million). This $235.4 million increase primarily reflects HARO's $149.5 million loan repayment as well as the $91.8 million in net sales proceeds received on the sale of SMLP.

Cash used in financing activities was $401.7 million (1998 - $171.1 million). CIC III's sale of its investment in SMLP, the receipt of the second instalment of Bi-Provincial sale proceeds and the HARO loan repayment enabled CIC III to repay $401.7 million of non-interest bearing advances due to CIC. CIC III did not declare a dividend to CIC in 1999. In 1998, as a result of the sale of its interest in Bi-Provincial, CIC III declared and paid a $60.0 million dividend to CIC, the first dividend since 1991.

Debt Management
All debt used to finance investments by CIC III is held by CIC.

Outlook and Key Factors Affecting Performance
CIC III's earnings are affected primarily by the performance of its investments, including any associated provisions or realized gains or losses on the disposition of its investments. The factors affecting the earnings and outlook for CIC III's major investments with private sector partners are discussed in the "Management's Discussion and Analysis" Section.

CIC III regularly assesses the appropriateness of the carrying value for all of its investments, and will provide for losses on an investment if it judges there to be a permanent impairment in its carrying value. CIC III regularly reviews its investments to determine the appropriateness of retention or divestiture.

CIC Industrial Interests Inc.
(Non-Consolidated)

Liquidity and Capital Resources

Cash Flow Highlights
(millions of dollars)

	1998
Cash from Operations	$ 18.6
Net Proceeds from Investments	152.5
Dividend Paid	(60.0)
Debt Reduction	(111.1)
Increase in Cash	$ -

Liquidity
CIC III finances its capital requirements through internally generated cash flow and non-interest bearing advances from CIC.

Operating, Investing and Financing Activities
Cash provided by operations was $13.8 million (1998 - $18.6 million). This $4.8 million decrease was primarily due to lower earnings and hence cash flow from ongoing operations, partly offset by a reduction in working capital.

Cash provided by investing activities was $387.9 million (1998 - $152.5 million). This $235.4 million increase primarily reflects HARO's $149.5 million loan repayment as well as the $91.8 million in net sales proceeds received on the sale of SMLP.

Cash used in financing activities was $401.7 million (1998 - $171.1 million). CIC III's sale of its investment in SMLP, the receipt of the second instalment of Bi-Provincial sale proceeds and the HARO loan repayment enabled CIC III to repay $401.7 million of non-interest bearing advances due to CIC. CIC III did not declare a dividend to CIC in 1999. In 1998, as a result of the sale of its interest in Bi-Provincial, CIC III declared and paid a $60.0 million dividend to CIC, the first dividend since 1991.

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CIC III's earnings are affected primarily by the performance of its investments, including any associated provisions or realized gains or losses on the disposition of its investments. The factors affecting the earnings and outlook for CIC III's major investments with private sector partners are discussed in the "Management's Discussion and Analysis" Section.

CIC III regularly assesses the appropriateness of the carrying value for all of its investments, and will provide for losses on an investment if it judges there to be a permanent impairment in its carrying value. CIC III regularly reviews its investments to determine the appropriateness of retention or divestiture.

Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of CIC Industrial Interests Inc. to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors has delegated certain of the responsibilities to its Audit Committee including the responsibility for reviewing the annual financial statements and meeting with management and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

The Provincial Auditor of Saskatchewan has audited the Non-Consolidated Financial Statements. His report to the Members of the Legislative Assembly, stating the scope of his examination and opinion on the Non-Consolidated Financial Statements, appears opposite.

Frank Hart
President and CEO

Sheldon Schwartz, CFA
Chief Financial Officer

March 10, 2000

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the non-consolidated statement of financial position of **CIC Industrial Interests Inc.** as at December 31, 1999 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles except that they are prepared on a non-consolidated basis as explained in Note 1.

Wayne Strelioff

Regina, Saskatchewan
March 10, 2000

Wayne Strelioff, CA
Provincial Auditor

CIC Industrial Interests Inc.
Non-Consolidated Statement of Financial Position
As at December 31
(thousands of dollars)

	1998
ASSETS	
Interest and accounts receivable (Note 5(g))	$ 159,512
Debentures and loans receivable (Note 3)	48,932
Investment - HARO Financial Corporation (Note 4)	421,977
Investments - equity basis (Note 5)	260,699
Investments - cost basis (Note 6)	5,742
Investments - properties (Note 7)	14,170
	$ 911,032
LIABILITIES AND SHAREHOLDER'S EQUITY	
Accounts payable	$ 3,941
Due to Crown Investments Corporation of Saskatchewan (CIC) (Note 8)	563,592
	567,533
Shareholder's Equity	
Share capital (Note 9)	340,000
Reinvested earnings	3,499
	343,499
	$ 911,032

Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:

Director

Director

CIC Industrial Interests Inc.

Non-Consolidated Statement of Operations and Reinvested Earnings

For the Year Ended December 31

(thousands of dollars)

	1998
REVENUE	
Interest and other	$ 16,286
Rental properties	1,400
Earnings from equity investments (Note 5(h))	11,195
Gain on sale of investments	94,542
	123,423
EXPENSES	
Amortization	211
Provision for investment losses	32,396
Rental properties	652
	33,259
NET INCOME	90,164
REINVESTED EARNINGS (DEFICIT), BEGINNING OF YEAR	(26,665)
	63,499
DIVIDEND TO CIC	60,000
REINVESTED EARNINGS, END OF YEAR	$ 3,499

(See accompanying notes)

CIC Industrial Interests Inc.
Non-Consolidated Statement of Financial Position
As at December 31
(thousands of dollars)

	1999	1998
ASSETS		
Interest and accounts receivable (Note 5(g))	$ 607	$ 159,512
Debentures and loans receivable (Note 3)	48,478	48,932
Investment - HARO Financial Corporation (Note 4)	272,740	421,977
Investments - equity basis (Note 5)	212,637	260,699
Investments - cost basis (Note 6)	7,966	5,742
Investments - properties (Note 7)	9,657	14,170
	$ 552,085	$ 911,032
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accounts payable	$ 3,393	$ 3,941
Due to Crown Investments Corporation of Saskatchewan (CIC) (Note 8)	161,894	563,592
	165,287	567,533
Shareholder's Equity		
Share capital (Note 9)	340,000	340,000
Reinvested earnings	46,798	3,499
	386,798	343,499
	$ 552,085	$ 911,032

Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:

Director

Director

CIC Industrial Interests Inc.
Non-Consolidated Statement of Operations and Reinvested Earnings
For the Year Ended December 31
(thousands of dollars)

	1999	1998
REVENUE		
Interest and other	$ 6,854	$ 16,286
Rental properties	881	1,400
Earnings from equity investments (Note 5(h))	6,934	11,195
Gain on sale of investments	30,597	94,542
	45,266	123,423
EXPENSES		
Amortization	128	211
Provision for investment losses	1,210	32,396
Rental properties	629	652
	1,967	33,259
NET INCOME	43,299	90,164
REINVESTED EARNINGS (DEFICIT), BEGINNING OF YEAR	3,499	(26,665)
	46,798	63,499
DIVIDEND TO CIC	-	60,000
REINVESTED EARNINGS, END OF YEAR	$ 46,798	$ 3,499

(See accompanying notes)

CIC Industrial Interests Inc.
Non-Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)

	1999	1998
OPERATING ACTIVITIES		
Net income	$ 43,299	$ 90,164
Dividends received from equity investments	3,211	2,069
Add (deduct) non-cash items:		
Gain on sale of investments	(30,597)	(94,542)
Earnings from equity investments	(6,934)	(11,195)
Amortization	128	211
Provision for property losses	150	87
Provision for investment losses	1,210	32,396
	10,467	19,190
Net change in non-cash working capital balances related to operations	3,357	(659)
Cash provided by operating activities	13,824	18,531
INVESTING ACTIVITIES		
Increase in debentures and loans receivable	(6,967)	(15,318)
Debenture and loan repayments received	189,106	15,733
Purchase of investments	(11,767)	(4,718)
Proceeds from sale of investments	217,502	156,836
Cash provided by investing activities	387,874	152,533
FINANCING ACTIVITIES		
Dividend paid to CIC	-	(60,000)
Decrease in due to CIC	(401,698)	(111,064)
Cash used in financing activities	(401,698)	(171,064)
NET CHANGE IN CASH	-	-
CASH POSITION, BEGINNING OF YEAR	-	-
CASH POSITION, END OF YEAR	$ -	$ -

(See accompanying notes)

CIC Industrial Interests Inc.
Non-Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands of dollars)

	1998
OPERATING ACTIVITIES	
Net income	$ 90,164
Dividends received from equity investments	2,069
Add (deduct) non-cash items:	
Gain on sale of investments	(94,542)
Earnings from equity investments	(11,195)
Amortization	211
Provision for property losses	87
Provision for investment losses	32,396
	19,190
Net change in non-cash working capital balances related to operations	(659)
Cash provided by operating activities	18,531
INVESTING ACTIVITIES	
Increase in debentures and loans receivable	(15,318)
Debenture and loan repayments received	15,733
Purchase of investments	(4,718)
Proceeds from sale of investments	156,836
Cash provided by investing activities	152,533
FINANCING ACTIVITIES	
Dividend paid to CIC	(60,000)
Decrease in due to CIC	(111,064)
Cash used in financing activities	(171,064)
NET CHANGE IN CASH	-
CASH POSITION, BEGINNING OF YEAR	-
CASH POSITION, END OF YEAR	$ -

(See accompanying notes)

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles except as noted in a) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements are prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

CIC Industrial Interests Inc. (the Corporation) is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC) as discussed in Note 2. These financial statements are prepared on a non-consolidated basis for the specific purpose of illustrating the financial position and results of operations of the corporate entity only. For further information, readers should refer to the annual consolidated financial statements of CIC.

b) Advances, debentures, loans and mortgages receivable

The Corporation records advances, debentures, loans and mortgages receivable at cost. When there is a decline in the value of an advance, debenture, loan or mortgages receivable, the asset is written down to its estimated net realizable value.

The Corporation recognizes interest earned on debentures, loans and mortgages receivable on the accrual basis except when collection is uncertain.

When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

c) Investments - equity basis

The Corporation accounts for investments in its subsidiaries, CIC Pulp Ltd., Genex Swine Group Inc., and Western Canadian Beef Packers Inc., using the equity method. The carrying value of the Corporation's investment is adjusted for the Corporation's proportionate share of the subsidiaries' net earnings or losses and decreased by dividends received. The Corporation also uses the equity method to account for other investments it significantly influences.

The Corporation's investments in CIC Pulp Ltd., Western Canadian Beef Packers Inc., and FarmGro Organic Foods Inc. consist of equity and debt instruments. Where there is a decline in the value of a debt instrument that is not considered temporary, the instrument is written down to its estimated net realizable value.

1. Summary of Significant Accounting Policies (continued)

d) Investments - cost basis

The Corporation records long-term investments in corporations not subject to significant influence at cost. When there is a decline in value of an investment that is not considered to be temporary, the investment is written down to its estimated net realizable value. Dividends from these investments are recorded as income when receivable.

e) Investments - properties

The Corporation records rental properties at the lower of amortized cost and estimated net recoverable value.

Properties held for sale are recorded at the lower of cost and net realizable value.

f) Amortization

Amortization on rental properties is calculated using an increasing charge method whereby the assets are amortized over 25 years, assuming an interest cost of 8%.

g) Fair Value of short-term financial instruments

For certain of the Corporation's financial instruments including:

i) interest and accounts receivable
ii) accounts payable
iii) due to CIC

the carrying amounts approximate fair value due to their immediate or short-term maturity.

2. Status of the Corporation

CIC Industrial Interests Inc. was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979, as a wholly-owned subsidiary of CIC, a Provincial Crown corporation. The Corporation is not subject to Federal or Provincial income taxes by virtue of this ownership. The CIC consolidated financial statements include the financial results of the Corporation and its subsidiaries.

3. Debentures and Loans Receivable

(thousands of dollars)

	1998
Cornwall Centre Mortgages:	
Mortgages receivable (a)	
Cornwall Centre Phase I	$ 30,052
Cornwall Centre Phase II	7,601
	37,653
Canadian Western Bank:	
Debenture (b)	3,126
Other Loans:	
Loan principal receivable (c)	20,342
Loan interest and costs receivable	224
Lease options (net of unearned income)	2,913
Less: Provision for loan losses	(15,326)
	8,153
	$ 48,932

a) The Corporation holds two mortgages due jointly from Cadillac Fairview Corporation Limited and 1381052 ONTARIO INC. This financing was provided in two phases to aid in the construction and development of the Cornwall Centre Shopping Mall Complex located in Regina, Saskatchewan. Phase I is a 9 5/8% mortgage repayable in monthly blended instalments of $289,177 compounded semi-annually. Phase II is an 11 5/8% mortgage repayable in monthly blended instalments of $79,866 compounded semi-annually. Both mortgages mature December 1, 2001.

b) The Corporation holds a $3.1 million non-convertible debenture in the Canadian Western Bank that matures June 26, 2007. The debenture earns 6.59% annually to June 27, 2002, and a rate equal to the 90 day Bankers' Acceptance rate plus 1% annually thereafter. Interest is paid semi-annually. This debenture is redeemable by Canadian Western Bank anytime on or after June 30, 2002 at par plus accrued interest.

c) The loan portfolio primarily consists of mortgage backed loans with various interest rates ranging from 0% to 15.75%. Maturities on these loans extend to the year 2012. The mortgage loan portfolio also includes $1.1 million in participation loans (1998 - $1.7 million). The profitability of the borrower determines the repayment of principal and interest on the participation loans.

3. Debentures and Loans Receivable

(thousands of dollars)

	1999	1998
Cornwall Centre Mortgages:		
Mortgages receivable (a)		
Cornwall Centre Phase I	$ 29,390	$ 30,052
Cornwall Centre Phase II	7,501	7,601
	36,891	37,653
Canadian Western Bank:		
Debenture (b)	3,126	3,126
Other Loans:		
Loan principal receivable (c)	19,482	20,342
Loan interest and costs receivable	220	224
Lease options (net of unearned income)	2,734	2,913
Less: Provision for loan losses	(13,975)	(15,326)
	8,461	8,153
	$ 48,478	$ 48,932

a) The Corporation holds two mortgages due jointly from Cadillac Fairview Corporation Limited and 1381052 ONTARIO INC. This financing was provided in two phases to aid in the construction and development of the Cornwall Centre Shopping Mall Complex located in Regina, Saskatchewan. Phase I is a 9 5/8% mortgage repayable in monthly blended instalments of $289,177 compounded semi-annually. Phase II is an 11 5/8% mortgage repayable in monthly blended instalments of $79,866 compounded semi-annually. Both mortgages mature December 1, 2001.

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c) The loan portfolio primarily consists of mortgage backed loans with various interest rates ranging from 0% to 15.75%. Maturities on these loans extend to the year 2012. The mortgage loan portfolio also includes $1.1 million in participation loans (1998 - $1.7 million). The profitability of the borrower determines the repayment of principal and interest on the participation loans.

3. Debentures and Loans Receivable (continued)

d) Debentures and loans receivable maturing in 2000 total $1.8 million (1998 - $2.2 million).

e) Fair value of debentures and loans receivable

Fair values approximate the amounts at which financial instruments could be exchanged between willing parties. The total fair value of the loan portfolio is approximately $51.5 million (1998 - $54.8 million). This estimate was determined by discounting expected future cash flows using discount rates that reflect the risk inherent in the financial instrument, and may not represent the exact amount that could be realized upon settlement.

f) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation yearly and all non-performing loans are included in the provision for loan losses.

4. Investment - HARO Financial Corporation

(thousands of dollars)

	1999	1998
Loans receivable:		
Term loan (a)	$ 333,381	$ 312,368
Convertible debenture (b)	-	149,506
Interest receivable on Term loan	7,398	6,931
Less: Deferred interest	(136,039)	(114,828)
	204,740	353,977
68,000,000 Class B non-voting common shares (c)	68,000	68,000
	$ 272,740	$ 421,977

a) The Corporation has advanced in total $272.7 million (1998 - $272.5 million) to HARO Financial Corporation (HARO) since 1992 to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert $68.0 million of this Term Loan into 68,000,000 non-voting, fully participating equity shares of HARO.

3. Debentures and Loans Receivable (continued)

d) Debentures and loans receivable maturing in 2000 total $1.8 million (1998 - $2.2 million).

e) Fair value of debentures and loans receivable

Fair values approximate the amounts at which financial instruments could be exchanged between willing parties. The total fair value of the loan portfolio is approximately $51.5 million (1998 - $54.8 million). This estimate was determined by discounting expected future cash flows using discount rates that reflect the risk inherent in the financial instrument, and may not represent the exact amount that could be realized upon settlement.

f) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation yearly and all non-performing loans are included in the provision for loan losses.

4. Investment - HARO Financial Corporation

(thousands of dollars)

	1998
Loans receivable:	
Term loan (a)	$ 312,368
Convertible debenture (b)	149,506
Interest receivable on Term loan	6,931
Less: Deferred interest	(114,828)
	353,977
68,000,000 Class B non-voting common shares (c)	68,000
	$ 421,977

a) The Corporation has advanced in total $272.7 million (1998 - $272.5 million) to HARO Financial Corporation (HARO) since 1992 to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert $68.0 million of this Term Loan into 68,000,000 non-voting, fully participating equity shares of HARO.

4. Investment - HARO Financial Corporation (continued)

The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a second five-year term in 1998. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1%. For the second five-year term, the interest rate on the loan is 6.64% (1998 - 6.64%) compounded annually.

Security for the Term Loan is 100% of HARO's assets, which as of December 31, 1999 consist primarily of Crown Life shares. On January 1, 1999, The Canada Life Assurance Company acquired all of Crown Life's Canadian insurance business, substantially all of its non-Canadian reinsurance business as well as various international insurance operations. Although Crown Life's operations have significantly changed as a result of this transaction, it retained approximately $1.5 billion in assets, primarily North American mortgages and real estate, as well as certain U.S. insurance operations and Canadian reinsurance business. These assets and operations will continue to be managed by Crown Life out of Regina, Saskatchewan.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. It should be noted that HARO's only source of cash is dividends from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. Since HARO did not make interest payments to the Corporation during 1999, total interest deferred and owing increased to $136.0 million (1998 - $114.8 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to a maximum of 94% of HARO equity shares. The Corporation has a unilateral right, prior to December 15, 2017, to convert no less than 25% of the loan to either HARO non-voting, HARO voting or Crown Life shares. The number of Crown Life shares acquired by the Corporation may not exceed 94% of the Crown Life shares owned by HARO. Any conversion may be subject to regulatory approval.

b) The Corporation provided an additional $149.5 million to HARO in 1995 to purchase $74.8 million of each of Series A and Series B convertible Crown Life debentures. These debentures were retracted by Crown Life subsequent to the Canada Life transaction. HARO repaid the Additional Loan in full plus accrued interest of $4.2 million on January 12, 1999.

c) Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 94% of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or 94% of HARO's assets.

Crown Life has approximately $507 million in net assets subsequent to its sale of its Canadian insurance business to The Canada Life Assurance Company. Since this sale significantly changed Crown Life's business and the industry in which it operates, it is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

5. Investments - Equity Basis
(thousands of dollars)

	Percentage Ownership	1998
CIC Pulp Ltd. (a):		
100 (1998 - 100) common shares		
Cost $100 (1998 - $100)	100.0%	$ (76,238)
Due from CIC Pulp Ltd.		14,491
Millar Western Pulp (Meadow Lake) Ltd.:		
50 (1998 - 50) common shares		
Cost $49 (1998 - $49)	50.0%	-
Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):		
Participating Debenture		159,000
Interest Loan		181,252
Term Loan		20,000
Contingency Loan		11,543
Guarantee Advance		8,000
Cash Flow Loan		5,000
Accrued interest		7,006
Less: Deferred interest		(188,940)
Provision for loan losses		(60,000)
		81,114
Saskferco Products Inc. (Saskferco) (b):		
68,449,080 (1998 - 68,449,080) Class B common shares		
Cost $68,449,080 (1998 - $68,449,080)	49.0%	108,249
CIC Forest Products Ltd. (c):		
Nil (1998 - 100) common shares		
Cost Nil (1998 - $100)		24,286
Due from CIC Forest Products Ltd.		36,754
		61,040

5. Investments - Equity Basis (continued)
(thousands of dollars)

	Percentage Ownership	1998
Genex Swine Group Inc. (Genex) (d):		
2,715,450 (1998 - 1,648,783) Class A common shares Cost $4,686,328 (1998 - $1,486,328) 1,044,000 (1998 - 1,044,000) Class B preferred shares Cost $2,088,000 (1998 - $2,088,000)	82.1%	5,145
Western Canadian Beef Packers Inc. (WCBP) (e):		
60,000 (1998 - 60,000) Class A common shares Cost $1,800,000 (1998 - $1,800,000) 40,000 (1998 - 40,000) Class F common shares Cost $2,800,000 (1998 - $2,800,000)	100.0%	2,932
Due from WCBP		-
		2,932
FarmGro Organic Foods Inc. (FarmGro) (f)		
1,250,000 (1998 - Nil) Class B voting preferred shares Cost $1,250,000 (1998 - Nil)	30.9%	-
Due from FarmGro		-
		-
SGI Canada Insurance Services Ltd.:		
320,100 (1998 - 320,100) Class A common shares Cost $2,000,100 (1998 - $2,000,100)	27.0%	2,219
		$ 260,699

a) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50% interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

5. Investments - Equity Basis

(thousands of dollars)

	Percentage Ownership	1999	1998
CIC Pulp Ltd. (a):			
100 (1998 - 100) common shares			
Cost $100 (1998 - $100)	100.0%	$ (65,635)	$ (76,238)
Due from CIC Pulp Ltd.		14,805	14,491
Millar Western Pulp (Meadow Lake) Ltd.:			
50 (1998 - 50) common shares			
Cost $49 (1998 - $49)	50.0%	-	-
Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):			
Participating Debenture		159,000	159,000
Interest Loan		219,190	181,252
Term Loan		20,000	20,000
Contingency Loan		12,408	11,543
Guarantee Advance		8,000	8,000
Cash Flow Loan		10,500	5,000
Accrued interest		9,019	7,006
Less: Deferred interest		(229,756)	(188,940)
Provision for loan losses		(60,000)	(60,000)
		97,531	81,114
Saskferco Products Inc. (Saskferco) (b):			
68,449,080 (1998 - 68,449,080) Class B common shares			
Cost $68,449,080 (1998 - $68,449,080)	49.0%	103,014	108,249
CIC Forest Products Ltd. (c):			
Nil (1998 - 100) common shares			
Cost Nil (1998 - $100)		-	24,286
Due from CIC Forest Products Ltd.		-	36,754
		-	61,040

5. Investments - Equity Basis (continued)

(thousands of dollars)

	Percentage Ownership	1999	1998
Genex Swine Group Inc. (Genex) (d):			
2,715,450 (1998 - 1,648,783) Class A common shares Cost $4,686,328 (1998 - $1,486,328) 1,044,000 (1998 - 1,044,000) Class B preferred shares Cost $2,088,000 (1998 - $2,088,000)	82.1%	**8,499**	5,145
Western Canadian Beef Packers Inc. (WCBP) (e):			
60,000 (1998 - 60,000) Class A common shares Cost $1,800,000 (1998 - $1,800,000) 40,000 (1998 - 40,000) Class F common shares Cost $2,800,000 (1998 - $2,800,000)	100.0%	**(1,958)**	2,932
Due from WCBP		**-**	-
		(1,958)	2,932
FarmGro Organic Foods Inc. (FarmGro) (f)			
1,250,000 (1998 - Nil) Class B voting preferred shares Cost $1,250,000 (1998 - Nil)	30.9%	**1,250**	-
Due from FarmGro		**2,031**	-
		3,281	-
SGI Canada Insurance Services Ltd.:			
320,100 (1998 - 320,100) Class A common shares Cost $2,000,100 (1998 - $2,000,100)	27.0%	**2,270**	2,219
		$ 212,637	$ 260,699

a) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50% interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

5. Investments - Equity Basis (continued)

The Corporation's loans to MLPLP include the:

- Participating Debenture which bears interest at 11.15% calculated annually on October 31.
- Term Loan which bears interest at prime plus 2%, or 8.5%, at December 31, 1999 (1998 - 8.75%). Interest on this loan is paid monthly.
- Contingency Loan which bears interest at prime plus 1%, or 7.5%, at December 31, 1999 (1998 - 7.75%). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance which bears interest at prime plus 1%, or 7.5%, at December 31, 1999 (1998 - 7.75%).
- Cash Flow Loan which bears interest at prime plus 1%, or 7.5%, at December 31, 1999 (1998 - 7.75%).

The Corporation records as a separate loan (Interest Loan) the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15%, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan.

If by October 31, 2014 less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 5.02% at December 31, 1999 (1998 - 4.95%), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

During the year, CIC continued to work with MLPLP's other major lender, the Canadian Imperial Bank of Commerce, to financially restructure MLPLP. This restructuring began in 1998 with CIC providing MLPLP an $8.0 million advance related to loan guarantees and $5.0 million to fund cash flow deficiencies. Ownership of these loans was transferred to the Corporation in exchange for a $13.0 million increase in non-interest bearing advances due to CIC. Interest on this Guarantee Advance and all Cash flow loans will be deferred until collection is reliably certain. Repayment terms will be determined once the financial restructuring of MLPLP is complete.

In 1999, CIC funded MLPLP cash flow deficiencies of $5.5 million and once again transferred ownership to the Corporation in exchange for a corresponding increase in the due to CIC account. Other developments relating to the MLPLP financial restructuring include: an agreement between CIC and the CIBC obligating CIC to reduce MLPLP's bank loan to a level acceptable to the CIBC by May 31, 2000; and, a commitment by CIC to continue to fund any cash flow deficiencies encountered by MLPLP until May 31, 2000.

5. Investments - Equity Basis (continued)

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operation of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 1999. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

b) The Corporation holds a 49% interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

c) Effective March 31, 1999, the Corporation, through its wholly-owned subsidiary CIC Forest Products Ltd. (CIC FPL), sold its 50% interest in Saskfor MacMillan Limited Partnership, a lumber and structural panel operation located in Hudson Bay, Saskatchewan, to MacMillan Bloedel Ltd. This transaction generated a gain on sale of $30.2 million and provided net sale proceeds of $91.8 million.

d) The Corporation increased its ownership in the Class A common shares of Genex, a swine genetics company located in Regina, Saskatchewan, to 82.1% (1998 - 73.6%) at a cost of $3.2 million in 1999. In addition, the Corporation holds 79.7% of the Class B non-voting preferred shares of Genex which bear a cumulative dividend of 8% per annum payable quarterly. These preferred shares are convertible to common shares on a one-for-one basis.

e) The Corporation holds 100% of the outstanding voting and participating common shares of Western Canadian Beef Packers Inc. (WCBP), a beef processing plant located in Moose Jaw, Saskatchewan. In addition, the Corporation advanced $2.5 million in non-interest bearing shareholder loans to WCBP during 1999. Due to WCBP's lack of liquidity and its history of accounting and cash losses, the Corporation believes this loan is impaired and accordingly reduced its carrying amount by $2.5 million.

f) The Corporation holds 1,250,000 Class B voting 7% cumulative preferred shares of FarmGro Organic Foods Inc. (FarmGro), a start-up company located near Regina, Saskatchewan. The preferred shares owned by the Corporation have voting rights and represent a 30.9% interest in FarmGro. Since commercial operations are not expected to begin until the year 2000, the Corporation has not recorded equity earnings(losses) relating to its investment in FarmGro in 1999. After completion of FarmGro's fourth year of operations, the Corporation has the right to request redemption of up to a maximum of 25% of its shareholdings.

The Corporation also provided $2.0 million of debt financing to FarmGro in 1999. This loan is repayable on demand and bears interest at 10% calculated and payable monthly.

g) On February 19, 1998, the Corporation sold its interest in the Bi-Provincial Upgrader Joint Venture to Husky Oil Operations Ltd. for proceeds of $310.0 million, generating a gain on sale of $94.3 million. Sale proceeds were received in two equal instalments dated February 19, 1998 and January 29, 1999.

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5. Investments - Equity Basis (continued)

h) Earnings (losses) from equity investments are as follows (thousands of dollars):

	1998
CIC Pulp Ltd.	$ (16,616)
Saskferco Products Inc.	10,064
CIC Forest Products Ltd.	9,686
Genex Swine Group Inc.	694
Western Canadian Beef Packers Inc.	(498)
FarmGro Organic Foods Inc.	-
SGI Canada Insurance Services Ltd.	109
Bi-Provincial Upgrader	7,756
	$ 11,195

6. Investments - Cost Basis

(thousands of dollars)

	1998
BIOSTAR Inc.	$ 4,096
Other	1,646
	$ 5,742

7. Investments - Properties

(thousands of dollars)

	1998
Property held for sale	$ 7,946
Rental properties	10,217
	18,163
Less: Accumulated amortization	3,993
	$ 14,170

8. Due to Crown Investments Corporation of Saskatchewan

Amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

9. Share Capital

(thousands of dollars)

	1998
Authorized	
Unlimited shares with no par value	
Issued and outstanding	
34,000,000 shares (1998 - 34,000,000)	$ 340,000

10. Commitments and Contingencies

a) The Corporation assumed responsibility for the Community Bonds Program in 1997. The remaining guarantees under this program amount to $1.8 million (1998 - $2.8 million).

b) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued $3.0 million (1998 - $3.0 million) to carry out the clean-up activities.

c) As part of the WCBP purchase transaction, the Corporation agreed to provide a $3.0 million guarantee as security for WCBP's outstanding bank financing. As at December 31, 1999, the Corporation has honored $2.5 million of this guarantee.

d) The Corporation has committed to provide FarmGro with a maximum of $3.2 million in debt financing, of which $2.0 million has been disbursed as at December 31, 1999.

5. Investments - Equity Basis (continued)

h) Earnings (losses) from equity investments are as follows (thousands of dollars):

	1999	1998
CIC Pulp Ltd.	$ 10,605	$ (16,616)
Saskferco Products Inc.	(2,191)	10,064
CIC Forest Products Ltd.	3,038	9,686
Genex Swine Group Inc.	321	694
Western Canadian Beef Packers Inc.	(4,890)	(498)
FarmGro Organic Foods Inc.	-	-
SGI Canada Insurance Services Ltd.	51	109
Bi-Provincial Upgrader	-	7,756
	$ 6,934	$ 11,195

6. Investments - Cost Basis

(thousands of dollars)

	1999	1998
BIOSTAR Inc.	$ 4,772	$ 4,096
Other	3,194	1,646
	$ 7,966	$ 5,742

7. Investments - Properties

(thousands of dollars)

	1999	1998
Property held for sale	$ 6,721	$ 7,946
Rental properties	4,769	10,217
	11,490	18,163
Less: Accumulated amortization	1,833	3,993
	$ 9,657	$ 14,170

8. Due to Crown Investments Corporation of Saskatchewan

Amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

9. Share Capital

(thousands of dollars)

	1999	1998
Authorized		
Unlimited shares with no par value		
Issued and outstanding		
34,000,000 shares (1998 - 34,000,000)	**$ 340,000**	$ 340,000

10. Commitments and Contingencies

a) The Corporation assumed responsibility for the Community Bonds Program in 1997. The remaining guarantees under this program amount to $1.8 million (1998 - $2.8 million).

b) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued $3.0 million (1998 - $3.0 million) to carry out the clean-up activities.

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d) The Corporation has committed to provide FarmGro with a maximum of $3.2 million in debt financing, of which $2.0 million has been disbursed as at December 31, 1999.

11. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (thousands of dollars):

	1999	1998
Category (as per financial statements)		
Interest and accounts receivable	$ 277	$ 191
Accounts payable	7	16
Interest and other revenue	1,744	2,165
Property expense	158	166

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

CIC provides management services to the Corporation without charge.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

12. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of MLPLP through CIC Pulp Ltd. The Corporation's pro rata share of its interest in this joint venture is as follows (thousands of dollars):

	1999	1998
Current assets	$ 37,794	$ 26,363
Long-term assets	144,072	147,233
Current liabilities	33,067	26,985
Long-term liabilities	52,693	66,983
Equity	96,106	79,628
Revenue	73,167	53,898
Expenses	61,515	69,950
Net earnings (loss)	11,652	(16,052)
Cash flows from operating activities	3,717	(8,002)
Cash flows from investing activities	(140)	5,105
Cash flows from financing activities	(5,472)	2,743

13. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to investees, suppliers, or other third parties, have been fully resolved.

14. Comparative Figures

Certain of the 1998 comparative figures have been reclassified to conform with the current year's presentation.

15. Subsequent Events

Subsequent to year end, the Corporation provided WCBP with an additional $0.8 million in shareholder loans as well as acquired $9.0 million of its outstanding non-voting preferred shares.

11. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

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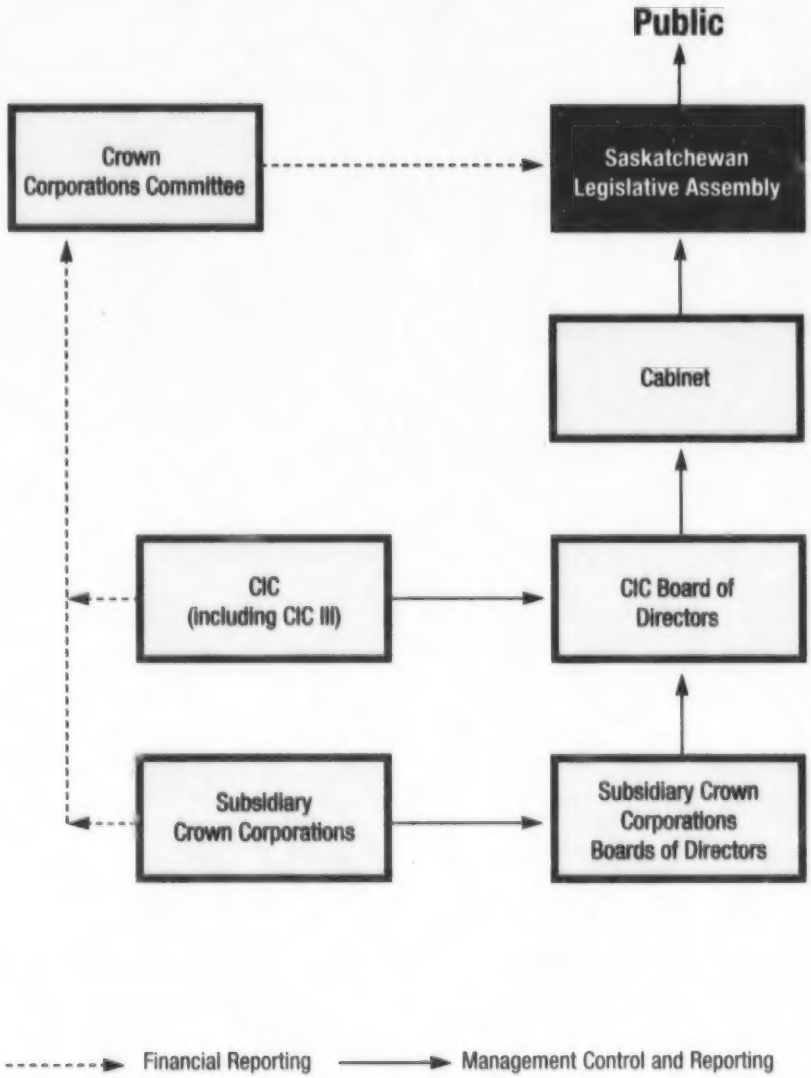
Accountability Structure



Governance

The CIC Board is responsible for monitoring and evaluating CIC's subsidiaries and for managing CIC's investments. The CIC Board consists of seven members of the Provincial Cabinet appointed to the CIC Board by the Lieutenant-Governor-in-Council. The CIC Board is a key Cabinet committee performing a liaison function between Cabinet and Crown corporations, making decisions in its own right, and forwarding recommendations to Cabinet for consideration. The CIC Board met 24 times during 1999.

The CIC Board:

- approves CIC's strategic direction and operating plans, and budgets proposed by CIC management;
- monitors and evaluates the performance of subsidiary Crown corporations;
- allocates capital within the Crown sector;
- approves acquisition, sale and changes to the terms and conditions of major investments;
- monitors the performance of CIC's investments; and,
- approves CIC's annual financial statements.

In 1999, the CIC Board also monitored management's development of contingency plans for addressing the Year 2000 problem.

The CIC Board has one subcommittee, the Audit and Finance Committee. This subcommittee consists of three members of the CIC Board.

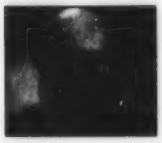
The Audit and Finance Committee:

- reviews CIC's annual financial statements and reports thereon to the CIC Board before approval is given;
- meets with the Provincial Auditor without management present to consider any concerns of the Provincial Auditor; and,
- reviews the operation of internal controls and financial reporting systems with management.

CIC management:

- serves as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made, and helps to develop policy on Crown corporation and investment matters;
- serves as staff to the Audit and Finance Committee;
- serves as the CIC Board's communications link with investment partners and Crown boards and management;
- co-ordinates the implementation of policy within the Crown sector;
- manages CIC's operations; and,
- monitors CIC's business environment.

Crown Investments Corporation of Saskatchewan Board of Directors



Honourable John Nilson, Q.C.
Minister of Crown Investments Corporation
Chair (September 30, 1999 to present)
Member (January 1 to September 29, 1999)

Honourable Janice MacKinnon
Minister of Economic and Co-operative Development
Vice-Chair (January 1, 1999 to present)

Honourable Jack Hillson
Minister of Intergovernmental and Aboriginal Affairs
Member (September 30, 1999 to present)**

Honourable Eldon Lautermilch
Minister of Energy and Mines
Member (September 30, 1999 to present)**

Honourable Dwain Lingenfelter
Deputy Premier and Minister of Agriculture and Food
Chair (January 1 to September 29, 1999)
Member (September 30, 1999 to present)

Honourable Clay Serby
Minister of Municipal Affairs, Culture and Housing
Member (September 30, 1999 to present)**

Honourable Maynard Sonntag
Minister of Highways and Transportation
Member (September 30, 1999 to present)

Former Members

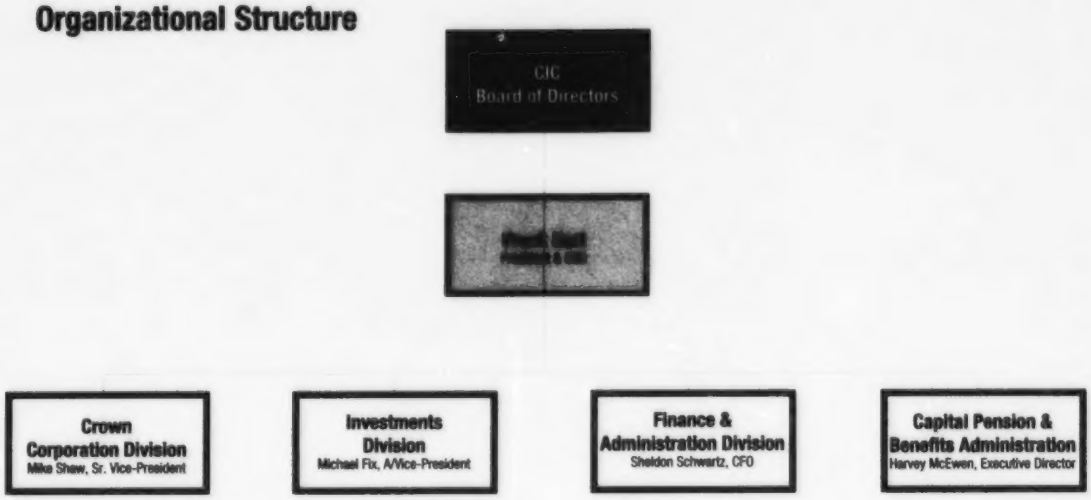
Honourable Keith Goulet
Minister of Northern Affairs
Member (January 1 to September 29, 1999)*

Carol Teichrob
former Minister of Municipal Affairs, Culture and Housing
Member (January 1 to September 29, 1999)*

Eric Upshall
former Minister of Agriculture and Food
Member (January 1 to September 29, 1999)*

* Audit and Finance Committee Member (January 1, 1999 to September 29, 1999)
** Audit and Finance Committee Member (January 27, 2000 to present)

Organizational Structure



At December 31, 1999, CIC had staff of 65 in its five divisions.

The President's Office is responsible for the overall direction of CIC. Included in the President's Office are the General Counsel and Corporate Secretary functions. This division has six employees.

Crown Corporation Services is the primary contact to develop and implement policy in the Crown corporations sector. In addition to providing corporate secretariat services for Crown boards of directors, this division provides sector policy direction, develops and implements the Crown performance management system, provides corporate management services and practices, and provides business analysis on matters requiring CIC Board and/or Cabinet approval. The division is responsible for coordinating the development of a strategic plan for the Crown sector and CIC, as well as the development of an integrated CIC business plan. It takes a broad, long-term view of emerging issues affecting CIC and the Crown sector from an economic, fiscal and public policy perspective. Human Resources and Communications are separate units within CIC which report to the Senior Vice-President of Crown Corporation Services. Including these units, the Crown Corporation Services division has 23 employees.

The Investments Division is responsible for all CIC investments with private sector partners. It is responsible for the prudent management of a diversified portfolio of commercially viable investments which encompasses the monitoring of existing investments, the acquisition of new investments and the divestiture of investments as appropriate. This division has 15 employees.

The Finance and Administration Division provides sector-wide financial reporting and forecasting, and financial analysis to the Board on CIC and Crown corporation financial performance targets and capital budgets. The division is responsible for managing CIC's budget, financial transactions, cash and debt positions and dividend policy. It also provides corporate administrative support services and corporate information technology services. This division has 14 employees.

Capital Pension and Benefits Administration administers the multi-employer Capital Pension Plan and a benefits package. This division has seven employees.

Photos

Front Cover and Page 8
(left to right) Gayle Megson, Assistant to the President; and Norma Berryman, Executive Secretary to the President.

Management's Discussion and Analysis Tab
(left to right) Mike Shaw, Senior Vice-President; Kathryn Buitenhuis, Executive Director, Strategic Management; and Ron Colin, Business Analyst.

Page 5
(left to right) Ron Colin; Kathryn Buitenhuis; Mike Shaw; and Susan Kim, Business Analyst.

Initiatives Tab and Page 8
(left to right) James Hoffman, Senior Analyst, Strategic Planning; and Ian Yeates, former Director of Performance Management.

CIC Consolidated Financial Statements Tab
(left to right) Ward Bansley, Corporate Secretary; Wendy Dean, Director, Corporate Secretariat; and Dawn Stanger, Corporate Secretary.

CIC Non-Consolidated Financial Statements Tab
(left to right) Dawn Arguin, Accounting Clerk; Corinna Mitchell, Senior Financial Analyst; and Dorothy Toews, Senior Accounting Clerk.

Page 3
(left to right) C.A. Hatlelid, Senior Financial Analyst; Dawn Arguin; Corinna Mitchell; Dorothy Toews; and Jackie Robinson, Administrator, Information Systems.

CIC III Non-Consolidated Financial Statements Tab and Page 4
Gerry Liski, President and CEO, FarmGro Organic Foods Inc.; Bob Balfour, Chairman of the Board, FarmGro Organic Foods Inc.; and Dennis Estey, Director, Corporate Development, CIC.

Corporate Information Tab and Table of Contents Page
Doug Kosloski, Acting General Counsel and Corporate Secretary.

Photography by Calvin Fehr

Corporate Directory

Crown Investments Corporation of Saskatchewan
400 - 2400 College Avenue
Regina, Saskatchewan
S4P 1C8
Inquiry: (306) 787-6851
President: Frank Hart

Web site: www.cicorp.sk.ca

Subsidiaries

CIC Industrial Interests Inc.
400 - 2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
President: Frank Hart

Saskatchewan Government Growth Fund
Management Corporation
1210 - 1801 Hamilton Street
Regina, Saskatchewan S4P 4B5
Inquiry: (306) 787-2994
President: Gary K. Benson

Saskatchewan Government Insurance
2260 - 11th Avenue
Regina, Saskatchewan S4P 0J9
Inquiry: (306) 775-6900
President: Larry Fogg

Saskatchewan Opportunities Corporation
600 - 2103 - 11th Avenue
Regina, Saskatchewan S4P 3Z8
Inquiry: (306) 787-8595
President: Nigel Howard
Web site: www.gov.sk.ca/soco

Saskatchewan Power Corporation
2025 Victoria Avenue
Regina, Saskatchewan S4P 0S1
Inquiry: (306) 566-2121
President: John Wright
Web site: www.saskpower.com

Saskatchewan Telecommunications
2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: (306) 777-3737
President: Donald R. Ching
Web site: www.sasktel.com

Saskatchewan Transportation Company
2041 Hamilton Street
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-8600
President: Jim Hadfield

Saskatchewan Water Corporation
111 Fairford Street East
Moose Jaw, Saskatchewan S6H 7X9
Inquiry: (306) 694-3900
President: Clare Kirkland
Web site: www.saskwater.com

SaskEnergy Incorporated
1100 - 1945 Hamilton Street
Regina, Saskatchewan S4P 2C7
Inquiry: (306) 777-9225
President: Ronald S. Clark
Web site: www.saskenergy.com